

HD 8072

.1169

1914



1

307
147

THE ABOLITION OF POVERTY

BY

JACOB H. HOLLANDER, PH.D.

*Professor of Political Economy in the
Johns Hopkins University*



BOSTON NEW YORK CHICAGO
HOUGHTON MIFFLIN COMPANY
The Riverside Press Cambridge

1914

HD8072
H69
1914

COPYRIGHT, 1914, BY JACOB H. HOLLANDER

ALL RIGHTS RESERVED

Published October 1914



The Riverside Press
CAMBRIDGE . MASSACHUSETTS
U . S . A

NOV -2 1914 B 0.7v-
© Cl. A 388188
401

PREFACE

THE purpose of this little essay is to set forth the needlessness of poverty. Like preventable disease, economic want persists as a social ill only because men do not desire sufficiently that it shall cease. There is still much mumbling of old commonplaces, and it has seemed worth while to emphasize anew this definite corollary of modern political economy, that the essential causes of poverty are determinable and its considerable presence unnecessary.

CONTENTS

I. THE NATURE OF POVERTY	I
II. THE SOCIAL SURPLUS	18
III. THE DISTRIBUTION OF INCOME	34
IV. THE RATE OF WAGES	46
V. THE UNDERPAID	65
VI. THE UNEMPLOYED	79
VII. THE UNEMPLOYABLE	93
VIII. CONCLUSION	106
NOTES	115

THE ABOLITION OF POVERTY

CHAPTER I

THE NATURE OF POVERTY

SOCIAL unrest is the keynote of twentieth-century life. The disquiet shows itself in unmistakable ways: the ferment of industrial classes, the realignment of political parties, the sensitiveness of public opinion, the intentness of economic inquiry. Such *malaise* is neither local nor transient. Every modern state exhibits its presence; each month discloses its greater intensity. For this impressive phenomenon a single cause is accountable. Specific conditions of time and place affect the degree of unrest, and influence the mode of expression. But the primary force is everywhere the same — the presence and sting of poverty. This is the heart and center of social disturbance.

Clear thinking, here as so often in social discussion, is impeded by the vagueness of terms. The word "poverty" is, in ordinary usage, applied

2 THE ABOLITION OF POVERTY

indifferently to three distinct conditions: (a) economic inequality, (b) economic dependence, and (c) economic insufficiency. A man is said to be poor in mere contrast to his neighbor who is rich; this is economic inequality. Almshouses and public relief minister to those who in the eye of the state are poor; this is economic dependence. Midway between the modestly circumstanced and the outright dependent are the poor in the sense of the inadequately fed, clad, and sheltered; this is economic insufficiency.

More precise terminology is possible. The condition of those who are in chronic need of public aid or private relief to maintain physical existence is described more accurately as pauperism. It is so obviously misleading to use "poverty" as a mere correlative of riches that everyday speech in this connection ordinarily replaces the substantive by some indirection, as the "poorer classes." Eliminating pauperism and modest circumstance, the terms "poor" and "poverty" remain to be properly applied to those who commonly lack some considerable part of the economic goods and services necessary for decent and wholesome life.

The problems of pauperism and of economic inequality are definite and familiar. Their modern phase is, indeed, notable less for new extent or greater difficulty than for changed social atti-

tude. As to economic inequality, the world is not greatly concerned that certain of its citizens are much better supplied than others and that these in turn are more adequately provided than many, — so long as the least favorably circumstanced have enough for a well-ordered life. The anti-social methods whereby great fortunes are often amassed and preserved, — illegal privilege, predatory acquisition, exploitative use, — rather than the fortunes themselves, excite popular resentment. This irritation is aggravated by glaring examples of wasteful dissipation or vicious consumption of great possessions. Riches, as such, thus become the target for attacks really justified by ill-gotten or ill-used riches. Against that wealth which represents individual superiority — “skill, dexterity, and judgment” in the phrases of an old writer ¹ — there is no social protest, any more than there is concern for the mere distance by which the well-fed hindmost is surpassed in the economic contest.

Pauperism — the pathological disorder of the social body — presents obvious and long-standing evils. In every community neglected disease, infirmity, widowhood and orphanhood, feeble-mindedness, insanity, physical or mental degeneracy, delinquency, criminality have economic counterpart in complete or partial dependence. But these misery-attended wastes are being

4 THE ABOLITION OF POVERTY

treated with an intense energy that compares with the finest effort in the parallel field of medical endeavor. There is a pitiful smallness in what has been done, measured by the immensity of what remains; but the vista is neither boundless nor hopeless. An aroused social consciousness is extending effort from positive care to preventive foresight, and placing limit to the increase of pauperism as social disease. In the interim, twentieth-century humanitarianism, finding expression in greater public undertakings and in more wisely directed private energies, seeks to meet existing dependence in a new spirit of communal responsibility and social conservation.

It is poverty in the sense of economic insufficiency — its wide extent, its assumed necessity, its tragic consequence — that forms the real problem. There are great bodies of people in country and in city who from birth have less than enough food, clothing, and shelter; who from childhood must toil long and hard to secure even that insufficient amount; who can benefit little from the world's advance in material comfort and in spiritual beauty because their bodies are under-nourished, their minds over-strained and their souls deadened by bitter struggle with want. These are the real poor of every community — the masses who, not lacking in industry and thrift, are yet never really able to earn

enough for decent existence and who toil on in constant fear that bare necessities may fail.²

Neither racial qualities nor national characteristics account for the presence of such poverty. It persists as an accompaniment of modern economic life, in widely removed countries among ethnically different peoples. It cannot be identified with alien elements in native race stocks. Countries which have for generations been relatively free from foreign influx and have developed industrialism from within exhibit the same phenomenon of economic want. Wholesale immigration is likely to be attended by urban congestion and industrial exploitation, but these are supplementary phases of the problem of poverty. Even in the United States, where immigration has attained proportions unexampled in the world's history, there is no reason to believe that such influx — bearing in mind the part it has played in creating and enlarging industrial opportunity — has permanently affected the condition of poverty.

Appalling in its own misery, this mass of poverty takes on even greater significance as the supply source of pauperism. Not only is the interval between insufficiency and dependence at all times narrow, but the inability to provide against mishap or calamity, indeed, the very conditions of body and mind which grow out of under-nourish-

6 THE ABOLITION OF POVERTY

ment and overcrowding make fatally easy the transition from self-support to dependence. Poverty has thus been likened to a treacherous footpath encircling the hopeless morass of pauperism. Those who tread it are in constant danger, even with the exercise of care and foresight, of falling or of slipping or of being crowded off. This insecure foothold, once lost, is not likely again to be regained; the fallen are added to the wretched body of chronically dependent.

The probable amount of such poverty is as impressive as its evident quality. In the unfortunate absence of any direct enumeration, recourse must be had to reasonable computation. The remarkable study of the nature and extent of poverty in the United States, made by Robert Hunter ten years ago, and still the only serviceable survey of the subject, set forth that, in the industrial commonwealths of the United States, probably as much as 20 per cent of the total population are ordinarily below the poverty line. If one half of this estimate be applied to the other commonwealths, the conclusion is that in fairly prosperous years "no less than 10,000,000 persons in the United States are in poverty." In this computation a purely physical standard — "a sanitary dwelling and sufficient food and clothing to keep the body in working order" — define the poverty line, with no monetary allowance for

intellectual, æsthetic, moral, or social requirements.³

Hunter's estimate seemed at the time incredible, even though the aggregate included 4,000,000 persons dependent upon some form of public relief; but the computation was in harmony with the investigations of Booth in East London and with the inquiry of Rowntree in York. It has not only since maintained itself against any serious challenge, but it has found confirmation in other accredited studies of living conditions in this country and abroad.

One of the most recent, as well as most instructive, of such investigations was made in the autumn of 1912 into the general economic conditions of the working-class of Reading, England, by the statistical method of sampling.⁴ Accepting a carefully determined minimum standard for food, clothing, and other purchases barely sufficient to keep workers efficient and dependents nourished, it was found that from 25 to 30 per cent of the working-class population of Reading were, in 1912, so far as they were dependent upon earnings, pensions, or possessions, below this minimum standard. Further, it appeared that more than half of the working-class children of Reading, during some part of their first fourteen years, lived in households where the standard of life in question was not attained. Not all the towns of

8 THE ABOLITION OF POVERTY

the United Kingdom would afford so depressing an exhibit. But making all reasonable allowance, Mr. Bowley reached the conclusions that somewhat over 13 per cent of the industrial working-class population of Great Britain are below the standard at any one time, as compared with 15.5 per cent in York and 25 to 30 per cent in Reading; that a very much larger proportion of families pass below the standard at one time or another, and that the proportion of children affected is much greater than the proportion of adults.

The available evidence as to the distribution of incomes, as compared with the cost of living, in the United States, gives similar results. The analyses of Mr. F. H. Streightoff⁵ show that in 1904, and probably at the present time, something over 60 per cent of the males sixteen years of age and over, employed in manufacturing, mining, trade, transportation, and other industrial occupations were earning less than \$626 per annum; about 30 per cent were receiving from \$626 to \$1044; but that only 10 per cent had incomes of at least \$1000. If those employed in agricultural pursuits be included, the figures change to 65 per cent in the less than \$626 group, 27 per cent in the \$626 to \$1044 group, and 8 per cent in the more than \$1000 group. Upon the highly improbable assumption that all men en-

gaged in gainful occupations, but not included in the above, were in 1904 receiving \$12 per week or more, it would appear that fully one half of the adult males engaged in gainful occupations in the United States are earning less than \$626 per year.

Such evidence as is available as to the cost of maintaining a decent standard of living in the United States indicates that — measured by minimum requirements of food, clothing, shelter, and miscellaneous expenditure for an average family of father, mother, and three children under fourteen years of age — an annual income of \$600 to \$700 is insufficient; that \$700 to \$800 requires exceptional management and escape from extraordinary disbursements consequent upon illness or death; and that \$825 permits the maintenance of a fairly proper standard.⁶ It is likely that this does not even attain what has been considered “a living wage in America”; that is to say “the minimum upon which an ordinary American household may be maintained . . . so as to provide not only for physical necessities, but for the education of the children, and for a fair degree of comfort, a fair share in the recreations, church support, and other activities of the community, provision through insurance for death, injury, and sickness, and a competence for old age.”⁷

10 THE ABOLITION OF POVERTY

Specifically, it appears that of families with incomes between \$700 and \$800, 30 per cent are underfed, 52 per cent are underclothed, 58 per cent are overcrowded, 14 per cent are both underfed and underclothed, 19 per cent are both underfed and overcrowded, and 35 per cent are both underclothed and overcrowded.⁸ These data were collected in 1907 and are applicable primarily to industrial cities of size in the United States. But their wider use is warranted by the fact that relative prices in the United States, weighted according to the average consumption of food in workingmen's families, have increased from 125.9 in 1907 to 163.4 in 1913, or 29.7 per cent.⁹ The only statistical materials available as to the increase in wages are the union scales of wages and hours of labor prevailing on May 15 each year from 1907 to 1913 in the principal mechanical trades in forty important industrial cities in the United States, as collected by the United States Bureau of Labor Statistics. The increases in wages from 1907 to 1913 have been materially less than the increase in retail food prices, being in the case of representative well-organized trades as follows: bricklayers, 5 per cent; granite-cutters, 7.3 per cent; machinists, 8.3 per cent; linotype operators, 9.6 per cent.¹⁰ It seems reasonable to assert that \$800 is a minimum family expenditure upon anything

less than which "the task of making both ends meet is too severe to be successfully accomplished in ordinary circumstances, without a lowering of the standard of living below the normal demands of health, working efficiency, and social decency." ¹¹

In actual experience the wide gap between adult male earnings and necessary family expenditure drives a large part of such families to eke out the earnings of the father by sending the mother and children out to work. Of the group of families in New York City that spend from \$800 to \$1100, studied by Professor Chapin, three fifths were dependent in some degree upon the earnings of wife and children and upon income from lodgers.¹² Not only is such supplementary income transient and insecure, but it is obtained at a social cost not less heavy than that which underfeeding, underclothing, and overcrowding involve. In seeking to make economically possible a normal family life, it destroys the very possibility thereof.

The social implications of such conditions are unmistakable. They mean that a great mass of those whom we are accustomed to regard as the earth's most highly civilized people are habitually under-supplied with the things, physical and spiritual, which the human structure requires, and that this inadequate provision

involves not only bitter struggle but imperfect existence, destined if unchecked to result in under-vitalized and degenerate stock, like the dwarfed growths of bare mountain-sides or the stunted animal life of arid plains. This lends tremendous interest to the question, Is such poverty necessary and inevitable?

Deliberate expressions emanating from various quarters have maintained the necessity of poverty. Of these, the exploitation of Biblical texts, "the poor shall never cease out of the land," and "ye have the poor always with you," is the most familiar and the least creditable. Historically this argument is to be associated with the early phase of emotional faith and material relief in which almsgiving, having detached itself from philanthropy on the one side and from social good on the other, degenerated into a mode of expiatory penance.¹³ Mr. Lecky reminds us how this form of "selfish charity," wherein "men gave money to the poor simply and exclusively for their own spiritual benefit, and the welfare of the sufferer was altogether foreign to their thoughts," acquired at last gigantic proportions, and exercised a most pernicious influence upon Christianity. If "alms are paid to the credit of the giver, and are realized as such by him in the after-world," the persistence of poverty serves some end. Want

is at least not purposeless if salvation may be acquired in relieving it.¹⁴

In our own day an appeal to Biblical authority as warrant for the continued existence of economic want represents a vicious exegesis whereby humanitarian appeal is perverted into quietist assent. That the interval between wealth and want is great, that standards of existence are progressive, that material well-being is social justice — this is the real meaning of the message. Any other interpretation implies a theology which would predestine masses of men to physical suffering and mental degradation in order that the well-endowed may attain mental calm and spiritual grace.

Economic radicalism is noisily intolerant as to the passing of poverty. Socialism, land nationalization, administrative inaction, each rests its case for social reconstruction less upon evidence of economic want or upon vistas of social betterment than upon an assumed maleficence of the existing industrial order whereby the inevitable corollary of capitalistic wealth is exploited labor. The collectivist theory of the progressively increasing misery of the working-classes, as set forth in the Communist Manifesto of 1847, maintained that: "The modern laborer, . . . instead of rising with the progress of industry, sinks deeper and deeper below

14 THE ABOLITION OF POVERTY

the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth."¹⁵ Henry George based his brilliant polemic upon the assumption that "poverty and all its concomitants show themselves in communities just as they develop into the conditions toward which material progress tends"; and again that "material progress does not merely fail to relieve poverty — it actually produces it."¹⁶ Mr. Herbert Spencer has asserted that poverty is an inevitable incident of the working-out of natural selection in social evolution;¹⁷ and the *laissez-faire* creed of extreme individualism is paraphrased in the contention that "all the poverty and misery permeating the civilized states, except such as is deliberately self-inflicted or the result of ill-health, are due to temporary and local mistakes in legislation."¹⁸

This association of material progress and economic misery is not only a presupposition of any social panacea, but the assumption upon which its urgency rests. Emphasizing the futility of any other method of relief than the particular one proposed, such assertion of the present inevitableness of misery resolves itself into propagandist advocacy of an economic specific. It may be too much to claim that Karl Marx himself, frankly acknowledging the bene-

ficial effects of factory legislation, "threw overboard his theory of increasing misery";¹⁹ but certainly scientific socialism has relegated the doctrine to minor and immaterial rank. Appropriation of "unearned increments" in land value, whether in part, or up to complete nationalization, figures in present-day debate as a fiscal device and not as a mode of social reconstruction. As to political inaction, the same inexorable pressure of social expediency which for a century and a half has amended successive ideals of "natural liberty" and "natural right," finds small use for a revamped doctrine of human perfectibility through non-intervention. Public sentiment and expert opinion are agreed that "government may attain its end — the good of the people — by some more effectual process than the very simple and easy one of putting its hands in its pockets, and letting them alone."²⁰

There is finally a complacent belief in the necessity of poverty, born of class privilege and material interest. In least objectionable phase, it is a prepossession rather than a deliberately reasoned judgment. The logic employed is hardly more than that the immemorial existence of poverty is presumptive evidence of its place in the general scheme of things. Yet even in this form it is the mental attitude — as often

inarticulate as avowed — of great numbers of intelligent, well-endowed men. The mischief it begets is inertia rather than resistance; but the net evil is considerable. Closely related is the smug conviction that all poverty is sin — the consequence of thriftlessness, prodigality, intemperance, unchastity, even irreligion. Economic want thus becomes the penalty of moral or spiritual lapse, destined to endure because men falter in conduct or in faith. Specific cases of poverty are undoubtedly traceable to individual misconduct. So, too, Professor Huxley reminds us that if all men spontaneously did justice and loved mercy, swords might be advantageously turned into ploughshares, and the occupation of the judges and police would be gone.²¹ But to utilize these considerations in justification of social inaction is economic pharisaism, neglecting the most obvious facts of modern industrialism — the undeserved poverty that comes from involuntary idleness, from industrial accident, from parasitic occupation. It is the holier-than-thou doctrine diverted to economic use.

Against such postulates of theological convenience, industrial fatalism, and class quietism, the general body of economic students assert that poverty, understood as economic insufficiency, is an incident of industrial evolution,

not an essential of economic structure; that its presence implies maladjustment, not normal working; that its control may be effected by wise social policy, and that its ultimate disappearance is a fair inference from the facts of economic experience. Professor Alfred Marshall voices this doctrine of social hopefulness in declaring that just as we have outgrown the conviction that slavery, which the classical world regarded as an ordinance of nature, is necessary, so we are abandoning the belief that poverty must exist, or that there need be great numbers of people foredoomed from their birth to grinding toil, unrewarded by even the bare necessities of decent existence.²² To point out the theoretical warrant for such conclusions and to outline the practical measures whereby they may be realized will be the purpose of the following pages.

CHAPTER II

THE SOCIAL SURPLUS

THE basis of social well-being is an adequate supply of economic goods and services. Society can only enjoy a decent, wholesome life if human effort as applied to natural elements produces at least as much as must be consumed in the course of such production. Every assertion of the needlessness of poverty in the modern state is therefore conditioned upon the assumption that national production equals a reasonable subsistence requirement. It is because the whole loaf is large enough to satisfy the hunger of all who must be fed that individual want is intolerable.

The history of economic growth has here been significant. Starting from a rude social order wherein bare and uncertain existence was the most that man could wrest from nature, society has attained an incredible economic productivity by the development of intellectual force and manual dexterity, by the more efficient arrangement of its own powers, and most of all by the discovery and utilization of natural energies. The diffusion of comforts, the possi-

bility of luxuries, the rise of arts and letters, the spread of culture — in a word, the development of civilization is the consequence of increased economic production.

There is no assignable limit to the increase of the economic product. The reasons for this are clear. The goods and services which satisfy economic wants and so make up the category of wealth are the results of definite factors — labor, capital, natural agents, and directive intelligence — working in joint association. As each constituent element increases, whether in amount or in specific efficiency, the resultant product increases. The degree of increase of a given factor need not necessarily correspond to that of the product. Indeed, other things being equal, an increase in the productive factor which has been present in industrial enterprise in normally efficient ratio — as labor in a well-populated country or capital in a creditor state — will be attended by a less than corresponding increase in total product. But the assumption of other things in the world of economic production being equal is rarely warranted. The lesson of modern industrial history has been that an increase of one factor ordinarily compels a more efficient rearrangement of existing forces, and thus secures a larger product. As long as the supply of laborers augment in number and

20 THE ABOLITION OF POVERTY

in skill, as long as the motives operate that lead to capital accumulation by the foregoing of present for future satisfaction, as long as the secret energies of nature continue to be unearthed and utilized, as long as captains of industry are evolved with gifted faculties of leadership — so long may the total product of industry be expected to increase in greater proportion than those whose necessary wants it must supply.

The economic pessimism of a century ago forecast a cyclical arrest of economic production with the increase of mankind, and this threat of overpopulated retrogression is still occasionally revived. Foreshadowed in economic literature of the eighteenth century, the doctrine figures in the history of social philosophy as "the principle of population" of Thomas Robert Malthus. It has been said that Malthus wrote a book which nobody reads and everybody abuses.²³ Certainly the actual content of the "Essay," in light of the circumstances under which it was originally composed and of the notable changes which successive editions underwent, is very different from prevailing misconceptions as to its meaning and purpose.

Malthus wrote in 1798, in denial of the contention of William Godwin that the repeal of government and law would make possible the existence and permanence of a society "all

the members of which should live in ease, happiness, and comparative leisure." Waiving any question as to the temporary effectiveness of the particular device proposed, Malthus rested his case against such perfectibility exclusively upon the consideration — in comparison with which all other arguments seemed of "slight and subordinate" import — that population tended to increase in a geometrical ratio and food in an arithmetical ratio, with the result that population is perpetually reduced in numbers and in condition to the subsistence level, with concomitant vice and misery.²⁴

In his own lifetime Malthus amended the two fundamental assumptions upon which his doctrine was based. The geometrical ratio was qualified by recognition of the principal of moral restraint, and the arithmetical ratio was made contingent upon a law of diminishing returns in agriculture. The subsequent history of the doctrine has involved further modification of these two essentials. As to "the passion between the sexes" which Malthus believed would always remain "nearly in its present state," regard has been had, on the one hand, to the claim of the biologists that "the progress of civilization must inevitably diminish fertility, and at last destroy its excess,"²⁵ and, on the other hand, to the contention of social philosophers that democ-

22 THE ABOLITION OF POVERTY

racy strives for a higher standard of comfort by delayed marriage and diminished birth-rate. Similarly, the tendency of the soil to yield diminishing product with successive application of labor and capital has been restated in the light of the progressive improvement in agricultural arts and the recurring exploitation of uncultivated areas.²⁶

The present import of the Malthusian doctrine in relation to economic progress might accordingly be defined briefly as a series of unfavorable tendencies as to birth-rate and food-supply counteracted in net practical effect by a group of opposing favorable tendencies. This is true even as to primary food. In the last fifteen years the population of the civilized world, excluding China, has been increasing at the rate of about 1 per cent a year, whereas the average annual increase in the five great cereals — wheat, corn, oats, rye, and barley — has been about 2.5 per cent. In other words, production has increased two and a half times as much as was necessary to keep *per-capita* consumption constant.²⁷ Social experience and industrial outlook suggest that as the population of the civilized world grows larger there is likely to be a yet greater supply of economic goods and services, with the resultant possibility of ampler provision for each individual member of society.

This conclusion has been set forth with even greater definiteness by Mr. Rowntree in the final sentence of his notable study of modern poverty: "The dark shadow of the Malthusian philosophy has passed away, and no view of the ultimate scheme of things would now be accepted under which multitudes of men and women are doomed by inevitable law to a struggle for existence so severe as necessarily to cripple or destroy the higher parts of their nature." ²⁸

A familiar corollary of the Malthusian doctrine has to do with the increased cost of raw materials, growing out of the assumedly greater difficulty attending their production. The classical political economy — given characteristic form in the decades following the Napoleonic contest and influenced largely by the contrasting agricultural depression and the industrial prosperity of early nineteenth-century England — drew sharp distinction between the production of raw materials and the working-up of such materials into finished products. The one category was subject to a law of diminishing returns, the other to a law of increasing returns, and the preponderance of one or the other element in the composition of economic goods determined whether a larger population could be better or worse sustained. Thus Senior forecast, not without a certain uneasiness, that

there would be no limit to the increase of wealth and population in Great Britain if the supply of raw produce could but keep pace with the power of working it up.²⁹ And Mill, although holding to the law of increasing returns with more reserve, still maintained that as population and industry advanced, the exchange values of manufactured articles relative to agricultural products showed a certain and decided tendency to fall.³⁰

Later analysis has divested the classical formula of misleading simplicity by giving its terms at once a wider and a more guarded application. It is possible to point to certain areas of the populated globe or to certain periods in the world's history in which population has literally caught up with and gone beyond the volume of wealth production. Adam Smith characterized the condition of such a society as declining, in contrast to advancing or stationary, and believed that the cause of retrogression was that "the funds destined for the maintenance of labor were sensibly decaying," with a consequent reduction of the wages of labor to "the most miserable and scant subsistence."³¹ A broader survey of social progress has enlarged the element of truth in Adam Smith's analysis. A society wherein population is increasing without restraint and wherein the inventive arts have

become stagnant will inevitably press upon the bare limits of physical subsistence. But this law of social stagnation, like the possible advent of an era of diminishing returns, is no explanation of the poverty which looms up so forbidding in the modern industrial state. Far from being in declining or even in stationary condition, the civilized world of to-day is, and, barring brief intervals and small areas, has for a long time been, advancing in all elements that affect the relative supply of economic goods.

A generation ago Sir Robert Giffin called attention to the fact that those countries of Europe — England, Russia, Germany, France, Austria, and Italy — which had for a century been increasing enormously in population, had been increasing even more remarkably in wealth.³² This tendency has since continued. In Great Britain, for example, the national income increased from £27 per head in 1867 to £40 per head in 1901, or a gain of nearly fifty per cent. As compared with the increase in population the principal industries in the United Kingdom have similarly outstripped the increase in numbers in the past fifty years. The production of coal, relative to population, has increased from 2.62 tons to 6.07 tons; of pig iron, from 13.5 tons to 22.9 tons; of shipbuilding, from 9.72 tons to 23.52 tons; the consumption

26 THE ABOLITION OF POVERTY

of raw cotton has increased from 28.1 pounds to 44.7 pounds, and of raw wool, from 10.40 pounds to 13.46 pounds.³³

Even more notable development might be anticipated in a new country such as the United States, blessed with a vast area of virgin soil, endowed with marvelous natural resources, and inhabited by a sturdy and ingenious population. As a matter of fact American economic opinion early dissented from the gloomy views of the English classical group. In 1820 Daniel Raymond admitted that although it was impossible to discover any flaw in Malthus's reasoning, "yet the mind instinctively revolts at the conclusions to which he conducts it, and we are disposed to reject the theory, even though we could give no reason for rejecting it."³⁴ Going further, Henry C. Carey in 1835 asserted, "I am not aware of a fact in his [Malthus] book in regard to man in a state of civilization, that goes to support his theory," and added, "If not disturbed in its growth, capital will increase more rapidly than population, and with its increase will be increase of education, and of all comforts, moral and physical."³⁵ Subsequent opinion may have receded somewhat from the high mark of Carey's optimism, but it still leaves incredible the opinion that existing poverty in the United States is the consequence of abso-

lute dearth. If elements of the population have for any considerable time received incomes less than sufficient to maintain decent and wholesome existence, the explanation is something other than that the total product was not sufficient to supply them.

This conclusion is confirmed by the actual course of economic production in the United States. It will scarcely be maintained that in 1800,—to take a safe starting-point,—when the population of the United States was some five millions and fertile land was to be had virtually for the asking, any poverty which may have existed therein was a necessary result of insufficient wealth production. Yet only a few years thereafter Daniel Raymond declared, "In the United States also we find that pauperism prevails in different parts in proportion to the unequal division of property. There are more paupers in the cities than in the country, and fewer in New England than in any other part of the country; because property is more unequally divided in the cities than in the country, and less unequally divided in New England than in any other part of the country." ³⁶

During the first fifty years of the century, from 1800 to 1850, population increased from 5,308,483 to 23,191,876, or four-fold. For this period no serviceable figures of national pro-

duction are available. But bearing in mind that it was the half-century of internal improvement and railroad construction, of frontier extension and of industrial awakening, a conservative estimate might certainly assume that the increase of wealth at least kept pace with the growth in population, and that in 1850, just as in 1800, any poverty which may have existed in the United States is not to be explained by national dearth. From 1850 on, statistics of wealth production are obtainable, and rough comparison of the relative growth of population and income is possible. From 1850 to 1900 the population of the United States increased from 23,191,876 to 75,994,575, or 226 per cent. But in this same period the production of the eight great cereals increased from 871,000,000 to 4,434,000,000 bushels, or 409 per cent.³⁷ What was true of increase in agricultural production obtained to an even greater extent with respect to economic goods in general — iron and steel, textiles and general manufactures. The production of wool, relative to population, increased from 2.26 pounds in 1850 to 3.79 pounds in 1900; of cotton, from .09 bales to .13 bales; of coal, from .27 tons to 3.16 tons; of pig iron, from .02 tons to .18 tons; of steel, from .0005 tons (in 1867) to .13 tons; of petroleum, from .66 gallons (in 1860) to 35.16 gallons; of manufactured

products, from \$43.94 to \$150.10; of total exports and imports, from \$13.70 to \$29.53.³⁸

In recent years, material progress has been as remarkable. Between 1900 and 1910, the production of coal, relative to population, increased from 3.16 tons to 4.86 tons; of pig iron, from .18 tons to .29 tons; of crude steel, from .13 tons to .28 tons; of crude petroleum, from 35.16 gallons to 95.69 gallons; of manufactured products, approximately, from \$150.10 to \$224.76; of total exports and imports, from \$29.53 to \$35.90.³⁹ The *per-capita* production of the principal crops underwent, it is true, decline, being in 1909 a little more than nine tenths of that in 1899. Some part of this was due to the extraordinary circumstance of deficient crops in the census year;⁴⁰ but the essential explanation is that this decade saw foreshadowed the inevitable transition of the United States from an agricultural to a manufacturing society. Like England at the beginning of the nineteenth century and Germany in our own generation, the United States has found it relatively more profitable to apply labor and capital to manufacture than to agriculture, and to discharge some part of its foreign debits by exports of manufactured goods rather than agricultural products.

Monetary estimates of national wealth are notoriously defective and misleading; but con-

30 THE ABOLITION OF POVERTY

fined to a single country and computed for a term of years, they are serviceable for general economic comparison. The true value of all property in the United States—an aggregate materially less than that of “national wealth”—is estimated to have increased from \$7,135,780,000 in 1850 to \$107,104,212,000 in 1904, and to probably not less than \$150,000,000,000 in 1913. In the same period, population increased from 23,191,876 in 1850 to 82,466,551 in 1904, and to probably not less than 97,163,330 in 1913. The *per-capita* estimate would thus show an increase from \$307 in 1850 to \$1318 in 1904 and to approximately \$1543 in 1913. In short, since 1850 the increase in property, so measured, has exceeded the growth of population as five to one.⁴¹

An increase in national surplus, both absolute and relative to population, is conceivably not incompatible with the continued necessity of poverty. Such excess may be absorbed in raising the standard of existence and yet be insufficient to eliminate want. It has long been the favorite contention of economic conservatives that poverty as insufficiency represents the rapidly closing gap between national production and necessary consumption, and that the improvement in the condition of working-classes attests the certainty with which the

tendency is proceeding. We are reminded that in the last quarter of a century — to go back no farther — wages have risen more rapidly than retail prices; that “non-physical” expenditures have increased; that deposits in savings banks have augmented; that *per-capita* consumption of wheat, sugar, and meat have grown; that the death-rate has declined; and that, in short, “the experience of all industrial countries without exception shows a steady and unprecedented improvement in the conditions of the working-class.” ⁴²

The improving status of the working-classes is, however, no answer to the challenge of want. As a matter of fact, imperfect as is our knowledge of the amount of poverty existing at the present time, very much less comparative information is obtainable for earlier periods. The most that can be hazarded is that there is no reason to conclude, from the statistical and historical evidence available, that the amount and intensity of poverty, relative to population and prevailing standards of life, is markedly less to-day than at any period in the past century similarly placed in the economic cycle.

Even were it true, however, that social progress is moving surely, though slowly, toward the elimination of want, there is every reason why the speed should be accelerated by cautious

32 THE ABOLITION OF POVERTY

and tested social intervention. It is preëminently here that the wasteful ruthless course of natural selection may be aided by deliberate selection. For the social surplus to be applied to improving the condition of working-classes with minor regard to the outright elimination of poverty is a misuse of increasing national wealth. If any such alternative be necessary, it is far better that want should cease to be the lot of some than that greater comfort should come to others.

But the root of the problem lies deeper. Poverty, like certain of its primary causes, is a phase of modern industry. The very forces which increase the national product and enlarge the social surplus, if left to themselves, breed conditions of want. As machine production becomes more intricate and operating speed more intense, the number of unavoidable accidents is likely to increase. As the subdivision of industrial processes grows more minute and the use of unskilled labor more practicable, the underpayment of unorganized or unorganizable workers becomes more common. As business competition waxes more acute and reserve funds of labor are found more economical, unemployment and under-employment become chronic. Industrial accident, parasitic employment, involuntary idleness are thus incidents of capi-

talism. Far from diminishing with increased wealth production, the misery resulting from such causes is, in face of social inaction, likely to augment and intensify. Society may grow richer, civilization may advance, and yet poverty continue to gnaw, cancer-like, at its vitals.

CHAPTER III

THE DISTRIBUTION OF INCOME

THE existence of poverty thus passes from a problem of economic production into a problem of economic distribution. There is apparently enough to suffice. The national dividend is abundant and to spare. But the process of allotment seems to give not enough to many, and by inference too much to some.

The question immediately presents itself as to whether this chronic under-apportioning is a necessary consequence or an avoidable incident of the competitive system, understanding by that term the procedure whereby modern societies distribute the national dividend among their constituent members. In economic discussion this alternative is the issue between collectivism and social regulation. Collectivism asserts that poverty is an inevitable result of capitalistic industry, and insists that anything short of socialized production and distribution is an ineffective palliative. Social regulation, on the other hand, assumes that poverty is the transient friction which attends industrial as well as physical progress, and maintains that economic

want can be checked and eliminated by appropriate social treatment.

It cannot be too strongly emphasized that neither course countenances *laissez-faire*. Whatever welcome may have been accorded the policy of non-intervention, in times more congenial to the acceptance of abstract philosophical doctrines as rules of economic conduct, there is supreme impatience in our own day at any suggestion of "administrative nihilism" as a response to the challenge of poverty. Such dicta as "the great universal progress toward individual liberty, which, as far as can be known by mortals, is the first and immediate object of the scheme of humanity,"⁴³ sound as archaic as eighteenth-century watchwords. Even though masked in the more respectable phrases of biological analogy, *laissez-faire* has been repudiated alike by public sentiment and by expert opinion as the efficient corrective of social ills. Were it true that natural selection, working raw and unaided in social evolution, would eventually extinguish the evil of poverty, the process of elimination would yet be so wasteful, so brutalizing, as to insure its rejection as a social policy. But as a matter of fact it is not clear that the survival of even the socially fittest, through the operation of selection, would be unattended by poverty. Indeed, the very assumption of such

a process is a struggling mass, crowded down to bare subsistence, from which survivorship is possible only at the expense of continuing misery and want on the part of the undertrodden. It is a lethargic optimism rather than any scientific warrant which forecasts the elimination of poverty through social inaction.

This is the lesson of all labor legislation. Unrestricted competition tends to preserve rather than reduce the socially less favorable elements in modern business. Left to itself capitalistic industrialism would have made slow progress in the improvement of working conditions. We seem to have passed far beyond the representation of the textile industry before the Lords' Committee on Child Labor, in 1818, that a fourteen-hour working day—from six in the morning until eight at night—for children, even as young as nine years, was attended with no physical disadvantage and, indeed, tended to improve the mental and moral state of the children;⁴⁴ or from Senior's contention in 1837 that the exceeding easiness of cotton-factory labor rendered long hours practicable; that the whole net profit of the manufacturers was derived from the last hour of the working day, and that a reduction of the number of hours which young persons could work, from twelve to ten hours, would be utterly ruinous to the industry.⁴⁵ But,

in fact, such expressions find counterpart in the present-day experience of every industrial state. They, and the support accorded them, can best be understood as the desperate efforts of marginal enterprisers rather than as the brutal greed of average employers.

Modern industrial products are composite with respect to the conditions of their production. The principles of differential cost and marginal determination, which the classical economists conceived as peculiar to agriculture, prevail over the whole field of industry. Just as there are in every branch of business "captains of industry," who, by reason of unusual ability, favorable location, and abundant credit, are able to reap large gains, so quite at the other extreme there are insecure enterprises limited in opportunity, handicapped in resources, struggling on from month to month to maintain business existence. It is this marginal group, driven to all conceivable devices to effect economies, who define the competitive base-line from which society must protect itself.

Diametrically opposed to *laissez-faire* in content, but related thereto in panacea-like quality, is the proposal of collectivism as a corrective of poverty. From the days of Owen and Saint-Simon, socialistic opinion has maintained that, with common ownership and operation of all

38 THE ABOLITION OF POVERTY

instruments of production, and with common apportionment of product according to some predetermined standard, there would be an end of economic want. Universal conscription in an industrial army, elimination of competitive wastes, systematization of productive energies are to provide the socialistic state with a tremendously enhanced national income, sufficient to raise the standard of living materially above the necessary minimum. Just as collective operation will furnish a larger product, by correcting the planlessness and waste of competing production, so socialized distribution, by preventing capitalistic exploitation and by replacing competitive struggle with definite allotment, will insure sufficient individual income. There will be more to go around, and social justice will make certain that it does actually so go.

Socialism is not to be brushed aside, any more than *laissez-faire* is to be established, by an appeal to political creed or economic dogma. Competitive industry, like private property itself, possesses no inherent warrant or sanctity. It is an economic convention utilized by industrial societies on sheer ground of expediency. The product of industrial evolution, it retains place by the assumption that a greater degree of human welfare can be attained by this device than by any other arrangement.

Once, however, apparent that, by virtue of changed conditions or new social standards, competitive industry no longer secures maximum well-being and is even productive of grave social hurt, its right to be terminates.

This was maintained even before the acute problems of modern industrialism had arisen. "For though I don't think a State of Nature to compare with the State of Civil Government," wrote Jacob Vanderlint, a long-forgotten economic writer of the eighteenth century, "if the Plenty be made great enough to support the People comfortably, yet if the Bulk of Mankind be made miserable by the Oppression of the rest; as they undoubtedly are, when the Wages of the Labourer, and Price of necessaries for such a Family as he must often sustain, and which indeed he was chiefly sent into this World to raise, are not very near equal: I say, such an unhappy State of Mankind is, in my Opinion, worse than a State of Nature itself."⁴⁶ A century later, economic utilitarianism definitely incorporated into its creed the doctrine that the distribution of wealth is a matter of human institution, solely. "The things once there," John Stuart Mill declared, "mankind, individually or collectively, can do with them as they like. They can place them at the disposal of whomsoever they please, and on whatever

terms. . . . Even what a person has produced by his individual toil, unaided by any one, he cannot keep unless it is the will of society that he should." ⁴⁷

But however free to do so, society is not likely to enter lightly upon a radical economic reconstruction. There must be undoubted evidence that the new arrangement will be productive of the ends contemplated both in immediate and in net result. Socialism has hitherto failed to give this assurance. It has not even made clear that collectivism would mean a larger or even as large a national dividend—the fundamental condition of any real social betterment. As against the economies of systematized and non-competing production, the socialistic state would suffer the losses of repressed initiative and standardized service. What the actual outcome would be is conjectural. A plausible brief can be drawn for either side, and in the absence of confirmatory evidence and with the impossibility of experimental verification, the case rests simply as unproved.

No one has stated this issue with greater clearness and fairness than August Schäffle: "Socialism would have to give the individual at least as strong an interest in the collective work as he has under the liberal system of production—it would have to secure to every sub-

group a premium on extraordinary amounts of collective production, and a loss through collective slackness; it is as much and still more bound to bestow effective distinction on all special success in technical development, and duly to reward great individual merit; and, finally, would have to provide that all the innumerable labor forces should be directed into the channel of their most profitable use, not by the orders of an authority, but by the force of individual interest. Otherwise, it will scarcely secure a fairer distribution of the national produce, and certainly not greater economy in social production, than is on an average secured by the liberal industrial system, acting through the most acute stimulus to private interest, and by proportioning price not only to the cost of production, but also, and mainly, to the value in use of separate services and commodities at a given time and place, and in a given trade or industry." ⁴⁸

This uncertainty as to the outcome of collectivism as a system of production has received far less examination than it merits. Attention has rested too exclusively upon the obvious wastes of competitive industry, in contrast to the conceivable economies of socialized production. Such comparison of the seen with the unseen serves useful purpose in remedial criticism;

42 THE ABOLITION OF POVERTY

it affords no sufficient ground for attempted reconstruction.

There remains the possibility that collectivism, though resulting in no increased national product nor even in one as large, might nevertheless reduce or eliminate existing want through the socialized distribution of what is actually so produced. An increased product would be desirable; but an equivalent or even a reduced product, if it be more reasonably distributed, might solve the problem. Just as there is uncertainty as to whether socialized production would result in increased yield, so there is doubt as to the wider consequence and ultimate effect of socialized distribution upon individual well-being. The mental progress, the moral character, the numerical increase of the race, are all obviously involved, but with what result no man has yet been able to make convincingly clear.

It is this perilous uncertainty that has led the hard sanity of the thinking elements of the community to refuse a leap in the dark, and at the same time, profoundly moved by the compelling evidence of social dislocation, to accept as its inarticulate creed the noble declaration of John Stuart Mill, voiced two generations ago: "If, therefore, the choice were to be made between Communism with all its chances, and

the present state of society with all its suffering and injustices, . . . all the difficulties, great or small, of Communism would be but as dust in the balance.”⁴⁹

Repudiating *laissez-faire*, but unwilling save as a final resort to venture upon the uncharted sea of socialism, the economist searches for some less drastic method by which the desired end can be attained more certainly, and without attendant evils of greater magnitude. This has been carefully phrased by a recent thoughtful writer: “The problem of the future is to devise a gradual modification of the system [of property] by which its advantages — the encouraging of industry, originality, energy, enterprise, individuality which it affords, the measure of liberty for all and the greater liberty which it secures for a few, the training in character and the development of individuality, the sense of responsibility and of family solidarity which it encourages — shall be secured without the outrageous inequalities, the material hardships and uncertainties, and the injury to character which are produced alike by excessive wealth and excessive poverty.”⁵⁰

Constructive social regulation offers this possibility. It recognizes the intolerable evils of poverty, but insists that preventive measures are possible, quite as effective and far less perilous than those which involve radical change

in the existing industrial order. It proposes to retain the competitive system of industry, both as to production and distribution, but to impose thereon, by restraint of law and by pressure of public opinion, such limitation and control as experience demonstrates to be necessary for the largest social interest. This means a systematic attack upon the primary causes of poverty, in lieu of the symptomatic, detailed treatment of the old poor-relief.

It has not been easy for society to realize that poverty is not of necessity the result of the mental weakness or moral lapse of the individual; that thrift, chastity, and even religious faith do not secure release from galling want; and that modern industrialism has intensified the liability of the wage-earner to sink into economic need through no fault of his own. Thanks to the profound influence of biological science upon common thought, some appreciation of these principles has entered the public mind. With it has come the new realization that just as the causes of poverty are deep-seated and remote, so the treatment must be fundamental and definitive. Similarly, public effort for the elimination of want has been, up to the present day, opportunist and unrelated. Evoked ordinarily by glaring disclosure of the tragedy of want or by specific exhibits of social wreckage,

such effort has commonly taken the form of positive treatment of local disturbance rather than preventive correction of deep-seated disorder. There has never been a well-considered, deliberately planned campaign against the causes of poverty, looking forward to its definite elimination as a form of social disease. Until such effort has been made — and failed — it is neither scientifically sound nor tactically wise to abandon an existing industrial order for a new and untried one.

More than three hundred years ago, an earnest economic writer made inquiry into "the canker of the common wealth." The title-page of the tract set forth that "the Author imitating the rule of good Phisitions, First, declareth the disease. Secondly, sheweth the efficient cause thereof. Lastly, a remedy for the same." Malynes's problem was local and his answer transient. But in declared plan his long-forgotten treatise anticipated the best type of modern social endeavor.⁵¹

CHAPTER IV

THE RATE OF WAGES

POVERTY, in its practical aspect, is a phase of the wage question. Large bodies of toilers are in receipt of incomes less than enough to maintain wholesome existence, and it is from this class that the mass of poor are mainly recruited.

This conclusion does not overlook the misery-breeding effect of an unfavorable social environment and an inadequate public service. One of the most competent students of modern social conditions finds a cause of dependence greater than any other, except that of defective education, in the fact that society surrounds the individual with many pitfalls that are not easily discerned and from which the average man cannot keep free: "infection from contagious diseases, congestion making disease easy, unsanitary and unlighted and unventilated dwellings from among which the individual tenant must choose his home, impure milk the chief cause of infant mortality, and impure water from which the individual has no sufficient defense, dirty streets, contaminated air, adulterated food." ⁵²

In much the same way, the failures of society to afford efficient governmental service and to provide adequate police regulation are to be accounted causes of individual need. Economical administration, prompt legal redress, equitable taxation, on the one hand, and labor legislation as to the employment of women and children, the use of safety appliances, and the provision of sanitary working environment, on the other hand, mean greater well-being.

Yet in the largest sense, it remains true that the most effective aid for those below the poverty line lies in the increase of income. Apart from its efficacy, it is the procedure most consistent with personal independence and individual self-respect. Social workers have often noted the languid interest, sometimes the vague resentment, entertained by wage-earners against projects of patronal aid and welfare work — even extending to an attitude of relative indifference to the enactment of favorable labor legislation. The explanation lies in the workingman's deep-rooted conviction — the product of long and bitter industrial experience — that the well-being which comes to him in the form of increased earnings is more substantial for the present and more promising for the future than either the philanthropically inspired benevolence of his employer with its restraints and involvements,

or the final resort of legal enactment with its delays and uncertainties.

The insufficient income of normally competent workmen means either that the mechanism of wage determination is socially unsound, or that the mode, while sound in itself, is perverted by impeding forces. Modern economic philosophy maintains the latter view, and denies that an insufficient wage is a necessary consequence of free industrial contract. This may, indeed, be fairly described as the trend of authoritative economic opinion from the days of Adam Smith.

The "iron law" of wages was read into the classical political economy by reactionary exaggeration, and thereafter crudely identified with its tenets by those well-meaning reformers whose economic equipment is traceable to Cobbett and Carlyle. As a matter of fact, Adam Smith, Malthus, and Ricardo were of one mind in maintaining the possibility of economic betterment. Not a bare level of subsistence but a progressive standard of comfort determined wages, and as to this: "The friends of humanity cannot but wish that in all countries the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them."⁵³ In much the same way, the formalism of the wage-fund doctrine was distorted, by

minor text-writers in the early nineteenth century, into a depressing cycle of increasing labor-supply and minimum remuneration. But more rational views prevailed, and a succession of economists, from Richard Jones and Montifort Longfield, through John Stuart Mill, to Longe, Thornton, Cliffe Leslie, Jevens, and Walker, insisted that the laborer's destinies lay absolutely in his own hands.

The consensus of present-day opinion among political economists that poverty is not a necessary consequence of the wage system is unaffected by the striking lack of agreement as to the principle determining the rate of industrial remuneration. Whether wages are governed by the cost of "producing the laborer," or by the laborer's standard of life, or by the ratio of the labor-supply to the amount of available capital, or by the residual left from other distributive shares, or by the specific productivity imputable to marginal labor, is far from determined. Recent semi-judicial inquiries as to the normal rate of wages in given industries have referred to the disappointing failure of economic science to provide practicable standards of reference. The Board of Arbitration, in the 1912 controversy between the Eastern Railroads and the Brotherhood of Locomotive Engineers, sought vainly for "some theoretical relation,

for a given branch of industry, between the amount of the income that should go to labor and the amount that should go to capital." After asserting that "political economy is unable to furnish such a principle as that suggested," the arbitral award took refuge in standardization between different areas as "the basis upon which a judgment may be passed as to whether the existing wage scale of the engineers in the Eastern District is fair and reasonable." ⁵⁴ So, too, the Massachusetts Commission on Minimum Wage Boards (1912) not only flatly denied the existence of "an economic law which, by some mysterious but certain process, correlates earnings and wages," but asserted that "wages among the unorganized and lower grades of labor are mainly the result of tradition and of slight competition." ⁵⁵

It is probable that the rival wage doctrines of modern political economy represent related facets of a general truth, and that opposed theories of distribution emphasize but successive aspects of a common uniformity. Certainly such doctrines, however different in other respects, are identical in what is in this connection the essential particular,—agreement that there is nothing inherent in or disclosed by any accredited wage theory necessarily to preclude the toiler from securing an economically sufficient wage.

Thus the cost-of-production theory insists that wages must be at least high enough to enable the laborer to rear a family in unimpaired vigor. If depressed below this minimum, increased mortality will so reduce the supply of laborers as to insure return to the higher level through the competitive bids of the employers. Stated in modified form, this doctrine becomes the standard-of-life theory, wherein the welfare of the wage-earner is regarded as resting in his own hands, being much or little above the level of bare subsistence, according to the degree of his insistence, in wage bargaining, upon a remuneration sufficient to maintain or even improve habits of comfort. The explanation of wages as a phase of the demand-and-supply formula has discarded the hidebound rigidity of the old wage-fund doctrine, and simply sets forth that the conditions of employment at any given time and place are affected by the ratio of available capital to the supply of localized labor, but that wages cannot for any considerable time remain below the level of an existence minimum. Going beyond this, the residual-claimant theory emphasizes the possibility of the wage-earner securing, in supplement of a necessary minimum, not only the benefit of his own greater efficiency, but even a major part of the general gains of social progress. Finally, the productivity theory

assigns to the wage-earner, by the working of free competition, that part of the product which he has assisted in creating imputable to his specific services, and necessarily large enough to insure his continued efficiency.

Since there is nothing inherent in modern wage determination to prevent the normal toiler from securing under favorable conditions an economically sufficient wage, his inability at times to do so must be in consequence of relatively weaker position in industrial bargaining as compared with the capitalist employer. This inferiority ordinarily results from the monopolistic control of the labor demand by industrial combination, or from the incomplete substitution of collective for individual wage adjustment by the laborers. To the degree that rival employers are brought into combination, the level of free competition in wage bargaining is obviously tilted to the disadvantage of the laborer, even though such capital centralization may make its management more sensitive to the pressure of public opinion. One of the purposes, entertained rather than avowed, of governmental check upon industrial consolidation has been to restore a more active competition for labor force on the part of employers. A more practicable method of restoring equilibrium is the organization

of the labor-supply into a competitively equal unit.

✕ The replacement of individual by collective bargaining in wage adjustment is the prime purpose of contemporary trade-unionism. Such was not always the original design, and to it have certainly been added other significant activities. But collective bargaining is after all the dominant concern; whatever else a labor organization attempts is in reinforcement of this device.

The necessity for concerted action on the part of the laborer has been recognized almost from the beginning of sound thinking in the field of economic distribution. Even before the advent of capitalism and the factory system, Adam Smith noted that "tacit, but constant and uniform combination" of employers, and the consequent disadvantage of unorganized workmen in wage disputes.⁵⁶ With the repeal of combination laws a generation later, a narrow economic philosophy sought to justify the contemporary disadvantage of wage-earners in industrial bargaining by the concept of a wage fund, with its implication of a rigid predetermined rate of wages that neither trade-unions nor collective action could affect. The reaction came, first, in admission of the actual achievement of trade-unionism, then in recognition of its tactical

54 THE ABOLITION OF POVERTY

necessity in wage bargaining, culminating in radical reconstruction of the theory of wages. From the time of Longe and Thornton, "the verdict of the economists" has been virtually unanimous in insisting that a necessary assumption of free competition in wage contracting is the organization of labor for purposes of collective bargaining.⁵⁷ This has not involved approval of all the policies nor indorsement of many of the devices of modern trade-unionism. But there is essential agreement as to the primary contention, that collective bargaining is necessary for the workman to secure as wages at least that part of the product of industry which free competition tends to award him.

This conclusion is in general confirmed by existing wage standards. It is not meant that wages are invariably high in organized, and invariably low in unorganized, trades. As a matter of fact, the base-line needed for such comparison is in itself highly irregular. Among the most puzzling facts in industrial relations are the differences in earnings from labor. There is not enough in the traditional explanation of the causes of wage variations — abundance or scarcity of supply relative to demand, ease or hardship of the occupation, cheapness or expense of learning the business, constancy or inconstancy of employment, smallness or great-

ness of trust reposed in the workmen, probability or improbability of success in the trade — to account for the fact that locomotive engineers earn twice as much as painters, with an appreciably shorter working day, or that hod-carriers receive practically the same wages as retail clerks. It would be extravagant, of course, to explain the relatively high wages received by locomotive engineers among skilled, and by hod-carriers among unskilled, workmen, solely by the effective trade-unionism that obtains in these crafts. A more complex relation of cause and effect is probably responsible — higher remuneration originally growing out of peculiar circumstances has made possible organization, and organization has in turn extracted higher remuneration. This much can, however, safely be set forth: in those trades where an efficiently organized, intelligently directed trade-unionism prevails, wages have either risen higher than they otherwise would have or have suffered less reduction than would otherwise have occurred.

It is not only as to rate of wages that trade-unionism can serve as the defense of the toiler. The several elements which make up the conditions of employment, and which affect the toiler for good or ill in hardly less degree than the rate of wages,— working hours, shop rules, apprentice regulations, — can be made more

favorable by reason of labor organization. A striking example of this is the service of trade-unionism in reducing the suffering which from the time of the industrial revolution has attended the introduction of labor-displacing machinery in particular crafts. This is apparent if we compare the acute distress which the introduction of the power loom brought to the old hand-weaving industry, an unorganized craft, with the easy readjustment which marked the introduction of the linotype in the printing trade, a highly organized craft.⁵⁸ It is true that conditions were unusually favorable to the workmen in the case of the linotype, and the recent history of the glass-blowing and stone-cutting industries indicate that trade-unionism cannot entirely avert the suffering incident to abrupt change in industrial processes, even though guided by more intelligent policies than actually prevailed. Yet even here and in other industries in which labor-displacing machinery has been introduced, the effect of trade-unionism has been at least to prevent demoralization and disaster. 7

Trade-unionism extends over but a fractional part of the industrial field, and even over much of the area nominally included, its sway is loose and ineffective. Recent competent studies show that the membership of national unions affiliated with the American Federation of Labor in 1911

was approximately 1,800,000, and that the total membership of the non-affiliated national unions in 1911 did not exceed 600,000, or 2,400,000 in all.⁵⁹ If to this be added 100,000 to allow for the membership of non-affiliated local unions and of other national federations,—such, for example, as the 10,000 membership of the Industrial Workers of the World,—it would appear that the organized labor force of the United States does not exceed 2,500,000. There are, however, a considerable body of laborers who have at one time or another been connected with such organizations and who may be regarded as still affected by the spirit and sentiment of trade-unionism. Assuming, by a very liberal estimate, that this latter class aggregates 1,000,000 persons, it would appear that the total number of wage-earners in the United States, organized to some extent for purposes of collective bargaining, or affected in some degree by the spirit of unionism, is less than 3,500,000.

The census of 1900 returned the number of persons in the United States, of ten years of age and upward, engaged in gainful occupations as somewhat more than 29,000,000. Of these approximately 10,000,000 were industrial wage-earners, while more than 5,000,000 additional (farm laborers, salaried employees, selling force, and domestic servants) were maintained by

58 THE ABOLITION OF POVERTY

some manner of contractual wages.⁶⁰ If we confine our attention, however, to the 10,000,000 industrial wage-earners, and assume — the actual enumeration for 1910 not yet having been made available — that the number of persons so engaged increased between 1900 and 1910 in the same proportion as the total population of the United States, the corresponding aggregate for 1910 would probably be more than 12,000,000. It thus appears that probably less than one third of the industrial wage-earners of the United States are organized in form or in spirit for purposes of collective bargaining. The remaining two thirds receive compensation for their services upon the basis of individual bargaining, ordinarily under terms of disadvantageous inequality on the part of the employee. If regard be had to the entire body in receipt of wages, the percentage of organization is probably not greater than one fifth.

Under such conditions the wages of most workers are maintained above, or even at the level of, economic sufficiency only by the competition of employers and the relative scarcity of labor. To the extent that employers act in concert, tacit or avowed, or that the labor-supply is congested locally or industrially, or that an industrial class have degenerated into parasitic dependence, the share of the wage-earner sinks

to the poverty line. For the great body of those in receipt of wages, an effectively organized, intelligently administered trade-unionism offers the surest remedy against capitalistic exploitation and social parasitism. In so far as this protection does not exist, the toiler is exposed to oppression by the enterpriser, on the one hand, and to spoliation by society, on the other.

It is sometimes asserted that the economic advantage of trade-unionism to the wage-earner is apparent rather than actual, and that his real, in contradistinction to his nominal, wages are reduced rather than augmented by collective bargaining. This may happen, conceivably, in two ways. The total product of industry may be so reduced by the interference and restraint imposed upon capitalistic enterprise by labor organization that the wage-earner's quota, although the same or even larger relatively, will be less absolutely. Or the burden of such wage increases as trade-unions succeed in wresting from the employer may be ultimately shifted to the consumer — in consequence of higher prices — with the result that the laborer as a consumer loses all and more of the benefit that he has acquired as producer. Thus, it has been recently stated, "Probably, when the question is put, what is the cause of the recent high prices, no answer is so frequently in the mouth of the

60 THE ABOLITION OF POVERTY

non-scientific man as 'organized labor.' ” ⁶¹
Indeed, this contention is heard in higher places. One of the most eminent of American economists has within the year made the startling assertion: “There is no question whatever in my mind that the rise of prices of almost all articles of general consumption during the last decade or two has been due, as much as to any one thing else, to the rise in money wages paid for the same or, even less.” ⁶²

As to restrictive effect upon production, it is certain that the policies of some unions and the practices of others — limitation of output, “making-of-work,” regulation of apprentices — go beyond the limits of mere protection against exploitation and parasitism, and tend to reduce the national dividend without corresponding social advantage. It may be proper to restrict the speeding-up of industrial processes by regulating the use of exceptional workers as pace-setters, or to check the influx of boy-labor into “blind-alley” occupations by apprentice regulations. But there is no such justification, for example, for the long-established practice of the printers that plate matter must be reset, ⁶³ or for the practice of strong local unions in certain trades of monopolizing employment by imposing a prohibitive initiation fee upon applicants for union membership. ⁶⁴ As a matter of

fact, such procedure represents the excesses of trade-unionism, not its essence. Public sentiment, expert opinion, even labor leadership are in opposition to short-sighted, economically fallacious deference to "the short run," and the drift of trade-unionism is away therefrom. If, however, going beyond this, trade-unionism is denounced because of its mere interference with individual enterprise and "freedom of contract," we are brought face to face with the old confusion between the creation of weal and the production of wealth. It is more than likely that a complete status of individual bargaining, just as entire immunity from legal regulation as to working conditions, would result for the time being in physically larger product. But all industrial experience suggests that with such increase would go reduced well-being now and grave social injury thereafter.

As to the contention that trade-unionism augments prices by increasing the expenses of production, the argument is in the main hypothetical. No such result will certainly attend if profits in the industry affected have been relatively high, or if increased wages are followed by heightened efficiency. Only in the event of actually increased labor cost being shifted to the consumer, through the channels of sub-normal profits and curtailed production,

62 THE ABOLITION OF POVERTY

will the incidence of the increased wages be borne by the consumer. Even then it remains to be determined whether higher prices and partial dislocation counteract the advantage of higher remuneration. The one attempt at a statistical determination of this complex problem reaches the cautiously guarded conclusion that "There seems to have been no great difference in price movements as between weakly organized and relatively strongly organized industries, while the greatest advances have come in industries which are practically unorganized." ⁶⁵

The slow spread of trade-unionism is due in part to the inertia of workmen, in part to the resistance of employers, in part to the use of unsound policies by the unions themselves. Effective organization calls for restraint, sacrifice, and leadership, and these are slowly acquired characteristics of the labor world. The most competent students of trade-unionism have likened it to "industrial democracy," and the simile is justified at least in the gradual evolution of structure and function.

The organization of labor has been further impeded by the hostility of employers to collective action on the part of their work-people. It has been necessary to fight step by step for recognition, and even now the employers' assent is ordinarily enforced and grudging. Traceable

to the historical conditions under which industrial contract has developed, this deep-seated resentment long showed itself in hostile law and in unfriendly judicial interpretation no less than in outright resistance. More recently, in lieu of an unqualified hostility to collective bargaining as such, this resistance appears in bitter opposition to specific trade-union policies deemed indispensable to effective action by the unions themselves.

But most of all, the extension of trade-unionism has been checked by its own mistaken practices and tactical blunders. Immaturity in development has permitted crude abuses, such as arrogant leadership and jurisdictional disputes. Over-emphasis upon immediate result has encouraged economically unsound policies, such as restriction of output, making of work, and limitation of apprentices. Neglect of larger consequences has countenanced anti-social modes of enforcement, such as sympathetic boycotts and physical violence.

In all of these directions, however, the vista is encouraging. The labor world is awakening to wider and deeper consciousness that whatever the future may offer through radical economic reconstruction, the immediate improvement is to be achieved by organization and collective action. The employing world and public

opinion in general have grown to realize that trade-unionism is not necessarily what trade-unionists sometimes do, and that the organization of labor is in essence only the attempt to place the two parties to industrial contract upon a plane of bargaining equality. Finally, out of repeated trial and hard experience has come greater wisdom to the unions. New types of labor leadership are being evolved, short-sighted policies are becoming discredited, and a sounder and wiser unionism is in sight.

CHAPTER V

THE UNDERPAID

TRADE-UNIONISM, however widely extended and efficiently organized, cannot avert poverty from three classes of the community: (1) from those who by reason of certain distinctive conditions of work and workers tend to remain insufficiently paid; (2) from those who are desirous of working but are periodically unable to obtain employment; and (3) from those who through physical infirmity or disability find it impossible to secure adequate employment at all. These categories may be distinguished as (*a*) the underpaid, (*b*) the unemployed, (*c*) the unemployable. The abolition of poverty involves the assurance of economic sufficiency to the members of these several classes.

The inability of trade-unionism to remedy the under-payment of specific groups of wage-earners results either from the unorganizability of such groups or from the social undervaluation of their industrial product. A body of laborers is unorganizable when the elements that compose it cannot, under existing conditions and for any considerable time, be assembled into a

dirigible force capable of determining or at least influencing the conditions of employment by the use of collective bargaining and its attendant devices.⁶⁶ This disability may be due to the low mentality or the volatile temperament of the laborers, as in the case of the longshoremen. It may result from the continuing influx of immigrant labor, as in the case of "extra gangs" of railroad track laborers. It may be in consequence of the "assisted" quality of the industry itself, as in the case of less skilled needle trades. In each such instance, the wage contract becomes the result of individual bargaining wherein weak and detached labor units are pitted against relatively strong and solidified employers. Nominally contracting under free competition, the one party enters the contest insuperably handicapped, so that only by industrial accident — a local or temporary scarcity of workmen, an abrupt increase in employment demand — will the rate of wages actually paid correspond to a normal distributive share. There is no assignable lower limit to the level of wages under such conditions, other than the desperation of half-starved bodies.

It does not follow that a class of workmen now unorganizable are bound to remain so. Indeed, quite apart from influences from without, one of the most notable results of that form of

intervention here proposed has been to energize masses of sodden, passive workers into consciously self-helping groups. It is nevertheless true, however, that there exist great bodies of toilers who, at the particular time and place, are incapable of being organized for collective bargaining.

It is possible, moreover, even when a particular group of laborers are so well organized as to meet their employers upon a fair competitive level and thus prevent excessive profits, that the rate of wages which collective bargaining is able to secure for any considerable time is less than the amount sufficient to maintain a wholesome existence. This is because the valuation placed by society upon the marginal unit of product is less than enough to permit the payment of a sufficient wage after the deduction of the prevailing rate of industrial profits. Under such conditions of relatively excessive production, any attempt on the part of the particular workmen affected to raise their wages to the level of necessary income is attended with almost insuperable difficulty.

There is no social justification for underpaying industries. The workers in such a trade are part-supported either by their families, and so indirectly by the better-paying industries, or by society as a whole in the form of community

charges entailed by the physical and moral deterioration of the underpaid. These industries are properly described as parasitic. They afford a limited class of consumers an unfair advantage over the general community with attendant misery and wretchedness to the wage-earners involved. It is as economically unsound for a body of toilers to be exploited in behalf of a group of consumers as in the interest of a monopoly-intrenched employer.

In both circumstances, — that is, where collective bargaining cannot be utilized and where social revaluation of the particular product is needed — a sufficient wage can best be assured the laborer by state intervention defining minimum wage conditions. This is the assertion of no new principle. From the beginning of modern factory legislation, the state has time and again intervened to establish a competitive base-line in industrial enterprise whenever it has become clear that free contract fails to insure conditions of employment compatible with the social interest. In this manner, the length of the working day, the employment of women and children, the safeguarding of dangerous processes, have heretofore been defined as to least favorable terms by legal enactment. The motive of such legislation has been to replace, by exercise of the state's police power, that minimum well-

being which the wage-earner cannot secure for himself and which it is essential for the safeguarding of society, that he should enjoy. The same intervention is now invoked to establish as a minimum wage — for less than which it shall not be lawful for employers to contract or laborers to engage — an amount not less than the necessary cost of maintaining the worker's family in health and decency.

The immediate effect of such a legally imposed minimum wage is the relief of a large class of underpaid wage-earners otherwise exposed to poverty. Nor are the collateral consequences alarming in so far as disclosed by positive evidence or determinable by theoretical analysis. The payment of a sufficient wage may lead to heightened efficiency on the part of the worker, or to more economical methods of production on the part of the enterpriser, in which event the gain has been effected without any loss whatever. If profits have been abnormally high in the industries or establishments affected, the burden of increased wage payment will rest upon the employer — a transfer highly desirable in itself. Finally, if the industry be parasitic, in the sense that a low price to the consumer is made possible by underpayment of labor, the proposed enactment will effect a social revaluation of the product through the successive stages

of reduced profits, curtailed industry, and diminished output.

The menace of discharged labor is often referred to in minimum wage discussion. An economist of distinction has lately declared that such a policy "will merely render entirely idle, and throw entirely on the Poor Law or on friends and relations, a number of persons who formerly were — or at all events ought to have been — partially supported from those sources, while they at the same time did a certain amount of productive work." ⁶⁷ Such argument, in so far as it implies anything more than the temporary dislocation due to industrial change, must assume the existence of a fund of unemployed from which the vacated places are to be filled, or the possible replacement of the displaced labor by the introduction of machinery or more economical methods of production, or the actual curtailment of production. Of these possibilities the third may be dismissed as conceivable only in the event of production having been excessive or parasitic — in either of which cases restriction is desirable. As to the first two contingencies, — replacement of unemployed labor by machinery or by more efficient organization, — such changes are obviously in the interest of society in general as replacing less by more economical methods of production. It is de-

sirable that the distress of dislocation be minimized and that provision be made for those injuriously affected; but the cautious extension of minimum wage legislation, combined with intelligent appreciation of the complex elements involved, may reasonably be expected to attain such results.

The worthy inefficient and the deserving incompetent, whose prominence in minimum wage discussion is comparable to the rôle of the widow and orphan in fiscal debate, will be cared for by exceptional provision. Just as those trade-unions which insist most strongly upon a standard wage rate permit members who have become unable to command the minimum rate to work for what they can get,⁶⁸ so properly drafted minimum wage legislation authorizes licensed exemption. A typical provision is that of the bill submitted to, but unfortunately not enacted by, the General Assembly of the state of Maryland in 1914: "The [Minimum Wage] Commission shall make rules and regulations whereby any female or minor unable or unwilling to fairly earn the minimum wage determined on shall be granted a license to work for a wage which shall be commensurate with his or her ability or appropriate to his or her circumstances and surroundings. Each license so granted shall establish a wage for such licensee, and no licensee

shall be employed at a wage less than the rate so established.”⁶⁹

A statutory minimum wage notably higher than that justified by the productive power of the ordinary worker might — assuming no exploitation on the part of employers — lead to a considerable discharge of labor. Professor John B. Clark has deemed this likelihood sufficiently great to make necessary the association with minimum wage legislation of some scheme of public emergency employment.⁷⁰ Such an undertaking presents grave additional problems hardly justified by the circumstance that “It could be made to afford a certain practical test of the capabilities of socialism, and would at least be a better object-lesson than is elsewhere afforded.” As a matter of fact, this fear is based entirely upon a recklessly fixed statutory minimum. As Professor Clark himself admits, “If the law itself prescribes no minimum, but creates a commission with power to prescribe it for each particular occupation, there is ground for thinking that this commission may proceed in such a conservative way that its action will displace relatively few persons.”

No less familiar, although far more superficial, is the opinion that the establishment of a minimum wage would operate to make in practice the minimum also the maximum. There is no

warrant for this fear either in fact or in theory. The experience of minimum wage legislation in Australia and in England shows conclusively that, in industry after industry where the minimum wage has been set by law, the wages actually paid tend to exceed this least requirement. The obvious explanation consists in the fact that the remuneration for labor is composite, consisting in part of the minimum defined by competition or by law and of a differential excess added thereto, equivalent to the superior skill of the particular workmen. The effect of minimum wage legislation is to raise the first constituent without in any wise interfering with the second. Individual workmen will continue to receive wages higher than the least well-paid workmen to the amount of their superior efficiency. The essential change consists in the elevation of the wages of the least well paid.

The use of a statutory minimum wage to prevent the social injury growing out of insufficient wage payment is being urged with increasing confidence by social reformers in the present decade. In Australia, New Zealand, Great Britain, and in various Commonwealths of the United States practical test has been or is being made of the device in one form or another. The results are neither so extensive nor so prolonged as to be conclusive. But they are withal signi-

74 THE ABOLITION OF POVERTY

ficant both in dispelling reasonable doubts as to some particulars and in confirming anticipated advantages as to others.

The experiences of Australia and New Zealand were deemed sufficiently encouraging, in the light of expert report and rigid analysis, to warrant the adoption of the principle in England, where the Trade Boards Act of 1909 provided the machinery for establishing a minimum wage in four typical trades. The act came into operation on January 1, 1910, but more than a year elapsed before the first rate affecting a single trade was made obligatory and rates affecting the other trades became effective much later. The Board of Trade still deems it premature (June, 1913) to set forth the ultimate effects of the act on the trades to which it has been applied.⁷¹ But the results have justified extending the application of the act to other trades by the Provisional Order Bill introduced on May 1, 1913, thereby bringing between 150,000 and 200,000 additional persons under its provisions, and approximately doubling the number of persons affected by the act.⁷² Although official reserve may check a formal verdict, the opinion of expert observers is available. One of the most competent of these has summarized the effect of the act upon the first of the industries affected,— chain-making at Cradley Heath,

— “the protagonist of half a dozen inquiries and where all the evils associated with the absence of any standard wage, the beating down of rates by employers, unendurably long hours of labour, the constant indebtedness of the workers to the middlemen, have in the past been rampant.” Since February, 1911, when the new rates were made obligatory by the Board of Trade, these things have happened: ⁷³ “In the first place, the piece prices paid for the poorest qualities of chain were raised from 40 to 80 per cent, and the workers’ hourly earnings were increased in proportion. In the second place, the hours worked are shorter, for it is no longer necessary to work 70–80 hours in order to make a living. In the third place, the quality of the chain made has improved, for the speed of working, though extraordinary, need no longer be so frantic as it was. In the fourth place, the whole standard of life in the district has been raised. The workers are better nourished and better dressed; shopkeepers state that their sale of provisions has increased; employers that ‘the workers take more pride in themselves and show more care in their work’; insurance agents that arrears are less; school teachers that the school children are ‘better fed, better clothed, and better shod.’ Trade-unionism, once almost hopeless, has grown apace, and the workers’ repre-

sentatives on the Board have now asked for, and are likely to obtain, another 10 per cent. And this has been accomplished without, as yet, creating unemployment, and at the cost of a rise in the price of chain which is far less than the rise in the price paid the worker, and is only in part due to the advance in the latter."

In the United States the enactment of minimum wage legislation has been even more recent — so recent, indeed, as to preclude even a trial exhibit as to results. The earliest act (Massachusetts) became operative on July 1, 1913, and the first actual determination of a wage rate (Oregon) took effect in November, 1913. Following the example of Massachusetts, in 1912, eight additional States adopted the system in some form or other in 1913 and two more made provision for commissions of inquiry. Intense interest in the device has manifested itself in other progressive Commonwealths, and it is more than likely that 1914-15 will witness other States enacting such legislation.⁷⁴

Some part of this activity is traceable to the sensational advocacy of a statutory minimum as a corrective of sexual immorality. The consensus of qualified opinion is that there is no such direct and immediate relation between low wages and vice as to admit of this easy rule-of-thumb solution. The actual process is a long

descent, fairly summed up in the phrase, "When wages are too low to supply nourishment and other human needs, temptation is more readily yielded to."⁷⁵ Rid of the incubus of cheap sensationalism and flimsy logic, minimum wage legislation is again urged on its real ground of economic expediency.

The usual form of such legislation has been, following the English Act, to authorize a commission vested with powers to investigate, determine, and fix minimum wages for women and minors in all occupations and industries, either directly or upon the findings of a "wage board" constituted for each specific inquiry. In but one State [Utah] is a minimum prescribed by statute. Elsewhere it has been recognized that the intricacy of industrial processes and the variety of local conditions make administrative determination far preferable to legislative prescription.

The gravest difficulty which minimum wage legislation faces in the United States is the attitude of the courts as to the constitutionality of legal regulation of wages of workers in private employment. The prevailing theory has been that women and minors are in greater danger of industrial exploitation, and that the law may impose such restrictions upon the contracts into which they enter as are deemed necessary

78 THE ABOLITION OF POVERTY

or wholesome. In the case of men, however, there has been a singular perversion of the historical purpose and the essential meaning of the guaranty that no man shall be deprived of his life, liberty, or property without due process of law,—with the result that it has been necessary for a judge of the United States Supreme Court to insist that “The 14th Amendment does not enact Mr. Herbert Spencer’s ‘Social Statics’.”⁷⁶

A more intelligent appreciation of the economic necessity for legal wage regulation of male workers under certain conditions is bound to result in a revision of this interpretation. Once clearly understood,—that the underpayment of particular classes is inevitable under competitive industry, and that this carries with it permanent social injury,—authority will be found, in the ordinary police power of the State to incorporate wage legislation with the general body of enactments defining minimum conditions of employment. In short, “the principles of *laissez-faire*, having been read into the Constitution, can be read out again.”⁷⁷

CHAPTER VI

THE UNEMPLOYED

THE recurring inability of competent workmen to find employment is a cruel incident of modern industrial life. To be able and eager to work, and to be unable to secure a job, to rear a family in respectability and to see comfort, self-support, even decency slip away through no assignable fault, has been denounced again and again as social injustice.⁷⁸ More, perhaps, than any other single cause, involuntary idleness is responsible for the economic injury and mental bitterness of self-respecting toilers.

That there is in every modern industrial community such an "army of the unemployed" is the familiar experience of all students of social conditions. But for no other vital phase of economic maladjustment is statistical information less adequate or trustworthy. Indeed, it has been acutely observed by a careful investigator⁷⁹ that, although the first question asked with regard to the unemployed is generally as to their number, yet as a matter of fact this is about the last question to which any scientific answer can be given, and that so limited are the sources

of information that, even when supplemented by all available collateral material, the analysis must of necessity be not of the numbers unemployed, but of the causes of unemployment and of their essential or accidental quality.

Census inquiries as to unemployment have been attempted in the United States, Germany, and France; but the results have been insufficient and defective. For Great Britain we have been dependent up to 1912 upon the returns made by certain trade-unions paying unemployment benefits and upon the records of "distress committees" as to the number of applicants for relief. For the United States, only two Commonwealths—Massachusetts and New York—have made any systematic attempt to supply information as to unemployment, and in each case the inquiry is fragmentary. In both States, the source of information is the return made to the Bureau of Labor by certain trade-unions within the State as to the number of their members out of work at the given date. In Massachusetts the membership from which such returns were received for the last quarter of 1912 formed 73.6 per cent of the aggregate membership of all local labor organizations, but only 29.8 per cent of the number of wage-earners in manufacturing industries in the State (1909).⁸⁰ In New York returns were received in 1912 from

183 selected unions, comprising about 21 per cent of the total union membership, but probably not more than 10 per cent of the number of industrial wage-earners in the State.⁸¹ In Massachusetts the average percentages of unemployment owing to lack of work or material, for the five years 1908-12, were respectively, 12.1, 5.6, 5.5, 5.4, and 4.5, the average for 1912 being the lowest recorded during the period. In New York the mean percentages of idleness for causes other than labor disputes and personal disability, for the five years 1908-12, were respectively 22.9, 11.0, 13.0, 15.1, 12.2.

Confirmation of the inferences to be drawn from census enumerations and related inquiries as to the extent and nature of unemployment is found in the intensive study made by Rowntree and Lasker of conditions in the city of York, England, on a given day (June 7, 1910). Defining as unemployed a person "who is seeking work for wages, but unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards," it was found that in this town of 82,000 inhabitants there were on the day in question 1278 unemployed persons, of whom about one half were not in any way disqualified for work.⁸²

Making reasonable use of all available materials it appears that a definite quota, varying

82 THE ABOLITION OF POVERTY

from two to ten per cent of the working force of every industrial community, are doomed at any given time to involuntary idleness. A condition such as this can be fairly described, in the terms of one of its most careful students, as "a social evil appalling in its magnitude" and "a terrible blot on the face of the richest countries in the world." ⁸³

It is clear that unemployment as an industrial phenomenon does not result from an absolute surplus of labor, nor even from a surplus of labor relative to available supplies of capital, land, or directive intelligence. Increasing wealth and larger *per-capita* productivity are the characteristics of the very countries where the evils of unemployment are actually experienced. Moreover, labor, far from being a drug on the market, as relative excess would imply, has steadily gained in market price. In Great Britain, for example, during the past thirty years (1878-1907) money wages in the principal industries have risen nearly sixteen per cent, whereas the prices of ordinary commodities have fallen nearly nineteen per cent. ⁸⁴

Socialist opinion from the time of Rodbertus has insisted that a periodic discharge of qualified labor is a phase of the "anarchical" production of competitive industry, and that chronic unemployment and recurring crises are inevitable

consequences of the capitalistic régime. In something of the same strain a less radical group of writers have urged that unemployment is the normal result of the gross inequality of modern incomes, whereby a large part of the product of industry is of necessity "saved" instead of being "consumed" and the productive energy of the nation is misdirected and ultimately congested.

From such necessitarian doctrines, political economists, as far back as Jean Baptiste Say and James Mill, have emphatically dissented, maintaining, on the contrary, that an "universal glut" is inconceivable; that apparent overproduction is in reality misdirected production or partial underconsumption; that inability of competent workmen to secure employment is the symptom of temporary industrial dislocation in which too many men have undertaken to do some things and too few others, and that the remedy is a gradual readjustment of demand and supply.

Much of the best social thought and effort of our day is being expended in the search for less wasteful and less sluggish correctives of unemployment than are implied in the demand-and-supply formula. This has involved, first, an analytical determination of the several causes responsible for involuntary idleness, and thereafter the suggestion of specific devices to meet

84 THE ABOLITION OF POVERTY

the case of each distinct category of the unemployed.

The involuntary idleness of the industrially qualified results from ^{fluctuations in demand as in} three general causes: seasonal fluctuations, cyclical depressions, and the tendency of modern enterprise to accumulate a reserve fund of excess labor. Individual cases of unemployment may arise and, indeed, multiply by reason of the dissolution of particular business establishments or in consequence of the gradual decay of entire trades. But such instances are not considerable in number at any given time, nor do they call for general treatment.

Seasonal fluctuations are a normal consequence of climatic conditions and social habits. Common as is such regular alternation of activity and dullness, there is a remarkable smallness in range of the percentage of the unemployed even in the most sensitive trades. Moreover, such seasonal unemployment does not as a rule involve acute distress. The slackening of business is more likely to be taken up by a reduction in the number of working days rather than by an outright discharge of workmen, with a consequent distribution of the loss over the whole working force. In addition, the fact that the dull season in certain trades corresponds to an active season in another makes it possible for workmen who are discharged from their usual em-

ployment in dull season to find some subsidiary occupation in another industry not so affected. Finally, seasonal fluctuations, in so far as regular and calculable, are, or should be, allowed for in the determination of wages, the rate thereof being correspondingly higher than in the case of unaffected trades. In this sense any industry whose regularly recurring dull seasons bring distress to the working force must be deemed parasitic in the failure of average earnings to provide a sufficient wage.

The cyclical recurrence of industrial depressions has been generally accepted by economic students as a feature of modern industrial life. Whether imputable to physical or to psychological causes, we are likely to continue witnessing a more or less regular succession of flush times, culminating in feverish speculation and of acute depression, the aftermath of sharp crisis. The interval between crest and hollow may be lengthened, the degree of variation may be reduced, but some measure of periodic fluctuation, entailing a brisk labor market at one time and a degree of unemployment or underemployment at another, is likely to remain. This is the phase of unemployment which calls most imperatively for remedial action. As compared with seasonal unemployment, it is more prolonged in duration, it involves a larger propor-

86 THE ABOLITION OF POVERTY

tion of the labor force in many trades, and the date of reëmployment is less fixed or calculable.

Allowance made for seasonal variation and cyclical depression, there still remains an apparently irreducible minimum of unemployment which is not temporary but chronic, which obtains in skilled and organized as in unskilled and unorganized trades, and which results from the tendency of modern industry to provide itself with a reserve fund of casually and irregularly employed workmen available to meet exceptional stress. Examination of the British trade-union returns of unemployment, extending back over a term of years, discloses the striking fact that the unemployed percentage, however much it may fluctuate, never sinks in the best years much below two per cent.⁸⁵

This tendency to accumulate and maintain reserves of labor grows out of the existence of separate employers carrying on the trade in different localities, each subject to irregularity and fluctuation. Instead of the definite requirement of a unified labor market, separate requisitions are made by many independent employers in removed localities. The result of this disorganization is clearly indicated by Mr. Beveridge: "Because of this separation the actual aggregate force of these demands is normally in excess of the arithmetical aggregate; opposite varia-

tions are not set off against one another in practice as they are in the statistics. The actual supply tends, of course, to conform to the actual demand; that is to say, it tends normally to be in excess of the arithmetical aggregate of the separate demands. In other words, the normal state of every industry is to be overcrowded with labour, in the sense of having drawn into it more men than can ever find employment in it at any one time." ⁸⁶

Distinct progress has been made in recent years in the solution of the problem of unemployment. Such a solution makes no endeavor to attain the ideal of continuous work, but aims at the practical result of preventing any man who is able and willing to work from sinking to destitution through lack of employment. The programme of relief consists of (a) public employment exchanges, (b) other measures of decasualization, and (c) unemployment insurance.

It has been acutely remarked that, whereas in regard to all ordinary commodities there are markets or exchanges to which purchasers come and sellers resort, in regard to labor the prevailing method of seeking employment, that is, of selling labor, is to hawk it from door to door.⁸⁷ The first and probably the most important step in the campaign against unemployment is to

88 THE ABOLITION OF POVERTY

do away with this practice by the deliberate organization of the labor market through the establishment of public employment bureaus or labor exchanges. Conducted by public authority and administered by expert superintendents, such agencies are designed to serve as places of registry to which unemployed workmen may come and to which, in turn, employers in search of additional men may turn. There is no interference with the wage bargain, the bureau confining its efforts to bringing the two parties to the contract into direct contact. The service rendered, while free of any charge, is devoid of either patronal or charitable element.

The obvious service of a labor bureau, like any commodity market, is to save the waste of time and energy involved in the planless search of a buyer who wishes a commodity for the particular seller who has it to offer. Not only is labor a commodity in this sense, but one peculiarly liable to deterioration and injury from indiscriminate hawking. An efficient labor exchange can attack the very root of chronic unemployment by consolidating the aggregate labor demand of separate competing employers otherwise certain to supply themselves with surplus reserves of casual laborers, some part of whom are thus subject to under-employment. Instead of five employers, each seeking to attract one

hundred men although eighty meet normal requirements and the larger number represent an infrequently attained maximum need, a labor exchange, acting upon the principle akin to that of a consolidated banking reserve that all maximum demands are not presented simultaneously, can encourage four hundred and fifty men to look forward to such employment and divert the remaining fifty into normally remunerative channels. Finally, a labor exchange, once securely established in the estimation of employers and employed, can perform important though informal service in giving advisory suggestion, sympathetic aid, and even educational guidance. It thus passes from a remedial device to a positive influence in social progress.

The organization of the labor market may be supplemented by various measures designed to aid decasualization and deconcentration. Of this character are the systematic provision of public work, greater elasticity in the working hours and wage rates of those actually employed in lieu of additions to or reductions from the ranks of employed, and the decentralization of town population by the provision of cheap and rapid transit between town and country, making it possible for urban workmen to live in the country and to tide over periods of unemployment by the cultivation of small plots of ground.

With this may go compulsory industrial training and continuation schools for all youths, designed to avoid the recruiting of "blind-alley" occupations, as well as to reduce the supply of juvenile labor and to hasten the absorption of unemployed adult labor.⁸⁸

For the completely efficient organization of the labor market, provision must be made for tiding over the unemployment due to seasonal fluctuation, to cyclical variation, to trade decay or individual misfortune, by measures more immediate than are offered by labor exchanges and supplementary measures of decasualization. This prompt relief can best be afforded by some system of insurance against unemployment. The device itself is familiar. Overlooking minor and somewhat unconvincing experiments by local bodies, the unemployment benefits maintained by representative trade-unions give the best evidence of the practicability of such aid. Unfortunately only the stronger and more stable unions have been able to evolve and maintain unemployment benefits. In Great Britain it has been estimated that not more than one third of the trade-unionists have this protection; in the United States the proportion is notably less, probably not more than one twentieth. For the great body of unorganized workers there is nothing of the kind whatever. -

Great Britain is the first country to meet squarely the issue thus presented by supplementing a comprehensive system of labor exchanges with a scheme of unemployment insurance. The National Insurance Act of 1911 provides for the formation of an Unemployment Fund by definite contributions from employers and workmen, supplemented by a substantial state grant, to be used in payment of specified benefits to such workmen when unemployed. In addition, voluntary insurance against unemployment is encouraged by the grant of state subventions to trade-unions and other associations providing such relief. The first operation of the measure is limited to certain building and engineering trades embracing some 2,400,000 workmen out of a total laboring population of 16,000,000. But the scope of the system may be extended by administrative authority, and this will undoubtedly be done as rapidly as circumstances warrant. The measure became operative in July, 1912, and it is too early to speak of results. The consensus of opinion is, however, clearly that the principle of the scheme is sound, that its provisions are conservative, and that such defects as are likely to develop are remediable faults inevitably incident to pioneer social legislation.

There remains to be briefly noted the condition of deliberate unemployment or voluntary

idleness, presented by the shiftlessness, the malinger-
ing, and the vagrancy of the work-shy. It
is from the chronically under-employed that
these groups are largely recruited, and to the
extent that unemployment is eliminated the
supply source of this sorry company will be re-
duced. For the remnant not so accounted for —
the body lightly described as “the unworthy
poor,” but in reality social parasites, “as defi-
nitely diseased as the inmates of hospitals, asy-
lums, and infirmaries” — medical and correc-
tional devices in the nature of labor colonies
and reformatory schools can properly replace
the existing ill-considered provision of food and
shelter.⁹⁰

CHAPTER VII

THE UNEMPLOYABLE

THE adequate payment of the employed, the industrial absorption of the unemployed, will still leave uncorrected one cause of poverty — the dependence of those, neither defectives nor delinquents, who, by reason of physical infirmity or disability, are unemployable at any economically sufficient wage.

Some part of this incompetence is the direct sequel of underpayment and of unemployment. Men whose physical vigor is sapped by the under-vitalization which results from an insufficient wage, or whose moral independence is weakened by the bitter distress which follows in the train of involuntary idleness tend by sheer law of disuse to become economically unserviceable. The payment of a sufficient wage and the provision of regular employment may therefore be expected, over and above their direct gain to the workmen, to avert the more insidious impairment of earning capacity growing out of physical and mental deterioration.

By far the larger proportion of the unemployable class owe their condition to a very dif-

ferent cause — the blight of sickness, industrial accident, or old age. For the consequent disability, the ordinary workman has no margin of safety. Whether the omission be due to lack of foresight, to lack of resources, or to lack of insuring devices, the end is the same. There comes, without compensating provision, a loss of economic efficiency entailing inability to secure employment at the prevailing rate of wages.

The old *laissez-faire* philosophy had a characteristic remedy for this tendency. Self-interest and free competition must, in the long run, it contended, give the laborer a wage at least sufficient not only to afford subsistence for himself and his family, but also to put aside enough to provide for the average disability incident to accident, invalidity, or old age. If the wages actually paid fell below this standard for any considerable time, the supply of labor must be less than the normal requirement and the competition of rival employers must soon restore wages to the true level. It was admitted, however, that such disturbances were undesirable, even though eventually resulting in a restored equilibrium. Accordingly all educational devices — savings banks, friendly societies, coöperative purchasing, patronal aid, and the beneficiary activities of trade-unions —

likely to develop habits of thrift and frugality in the working-classes were to be encouraged, as making provision for fortuitous or calculable disability. In all this, however, care must be taken to avoid anything likely to sap the wage-earner's self-reliance or to weaken the force of his self-interest.

The cruel exhibit of modern industrial experience has taught the utter futility of such reasoning. Free competition in the labor market, in so far as it implies individual bargaining in wage contracting, is certain to leave the workman, in the more easily recruited occupations, in receipt of wages barely sufficient to maintain a decent livelihood. No amount of thrift or foresight will here provide for the "rainy day," because there is literally nothing that can be so set aside — save, indeed, at the cost of harmful deprivation. Under such conditions of low wages or irregular employment, life is at best a hard, unremitting struggle. When to it come the misfortunes of accident or of illness and the inevitable infirmities of old age, there is no recourse but desperate, unavailing resistance and ultimate poverty.

For this form of industrial maladjustment, modern trade-unionism is at most a palliative. Theoretically, its devices — mutual insurance and collective bargaining — can se-

cure for all wage-earners adequate provision against disability. Practically, a great body of toilers lack the possibility of such achievement. This is the lesson of a century of trade-union history in England and the United States. In certain trades — in consequence of the nature of the industry, the quality of the workmen, sometimes even of more subtle elements of environment and leadership — a powerful and militant unionism is possible. In other trades, attempts at organization seem doomed to result, not once, but over and over again, in loose and feeble combinations galvanized from time to time into efficiency, but utterly lacking in that cohesiveness and endurance necessary for successful industrial contest. Finally, over a considerable part of the labor field, comprising the parasitic trades, recruited from the unskilled, the overcrowded, and the under-employed, unionism has never been nor is likely soon to be even attempted.

♥ For this semi-submerged body of toilers, state intervention, in the form of decasualization, deconcentration, and minimum wage legislation, must be invoked to secure even an immediately sufficient wage. The requirements of disability, invalidity, and old age must be met from another quarter. Even were the newly constituted wage level high enough to permit

deliberate provision for such disability, the very class defects — physical and mental — which make such intervention necessary preclude the possibility of self-help. Thus, both for a great body of wage-earners potentially organizable but in reality uncertain and unstable, and for the still greater body of toilers for whom such combination is in any reasonable sense hopeless, there is need of systematic provision against fortuitous and calculable disability, if the advent of poverty is to be averted.

This condition has led the industrial states of our day to consider, and, to an increasing extent, to adopt, systems of compulsory state insurance against industrial accident, sickness, and old age. The primacy, as to origin and scope, in the matter of such social insurance belongs to Germany. Projected thirty years ago along relatively simple lines as a tentative device to combat the rising strength of socialism, German compulsory state insurance against accidents, sickness and infirmity, and old age has been extended and developed step by step until it now constitutes a veritable "social charter of labour." The example of Germany has been followed by or has influenced other industrial states. Of these, Great Britain is the most recent, and in some respects the most interesting convert, whereas, as in so many other movements toward

98 THE ABOLITION OF POVERTY

social betterment, the United States has been conspicuously laggard.

The most urgent form of such social provision is adequate insurance against industrial accident. In the United States there are each year probably not less than 30,000 fatal and 400,000 grave industrial accidents — the latter entailing complete disability for short, and partial disability for protracted, periods.⁹¹ Every such accident leaves in its wake a degree of misery ranging from the strain of temporary wage losses to the complete dependence of unprovided widows and children. Moreover, this social distress is cumulative in amount, being at any given time the total of a preceding term of years. The legal remedy for industrial accident, centering about the principle of employer's liability, has been notoriously inadequate to meet this requirement. The so-called defenses which the common law has evolved upon the idea of tort or wrong — assumption of risks, contributory negligence, and co-employee's fault — have in actual practice left a vast majority of the accidents altogether uncompensated, or has awarded small and disproportionate compensation, and then only after considerable lapse of time and expensive legal processes. In lieu of this an adequate system of social insurance definitely annuls the legal doctrines of fault and automatically pro-

vides for every industrial accident in any form of employment sufficient compensation to maintain a decent standard of life for the sufferer or for those dependent upon his earnings during the entire period of disability or dependence. The cost of such provision is borne, in the first instance, by the employer, but finds ultimate incidence as an element in the cost of production upon society in general.

Remarkable as has been the progress of the compensation movement in the United States in the last five years, only a beginning has been made.⁹² Some twenty States have enacted such legislation and the roster is rapidly lengthening. But in content the exhibit is more encouraging as to the future than adequate as to the present. Limitation as to employments, traces of the fault principle, inadequate scales of compensation, delay in initial payment, insufficient medical and surgical provision, are characteristic features of American legislation. On the other hand, no phase of social betterment is struggling more successfully to a higher level. With that imitative yet progressive spirit in social legislation which is one redeeming feature of our coördinated political system, each new aspirant Commonwealth starts from the plane already attained. There are likely to be frequent defeat and occasional recession, but adequate compen-

sation both in amount and in term is even now a definitely established goal in every progressive State of the Union.

Disease and sickness are causes of poverty to an even greater degree than industrial accident. Abrupt illness, severe wage losses, inadequate medical treatment, insufficient convalescence, chronic morbidity form a disaster-bringing sequence familiar to all social workers. Such scanty statistics as we have suggest that from forty to fifty per cent of the working population are annually affected by illness, and that nearly one third of those receiving relief from public charitable institutions have been brought to this pass by sickness.⁹³ Some part of this quota represents the normal liability of mankind to sickness. But a considerable part is distinctly industrial and social in character — occupational disease and physical under-vitalization. From whatever source proceeding it is vitally important, in the social interest, that the sickness of wage-earners receive adequate remedial treatment. This is dictated not only by considerations of economic conservation, but by the grave danger of ensuing disability and dependence.

Various devices have been developed or utilized by workmen themselves for meeting the economic strain of sickness, beyond the provi-

sion which personal thrift and foresight are able to supply. Beneficiary features of trade-unions, friendly societies, establishment funds, fraternal orders, and industrial insurance companies represent the endeavor which wage-earners make to avert the misery and ruin of sickness and disease. In many countries such agencies have received governmental recognition, at first by supervision and control, thereafter by subvention and aid.

But voluntary provision, even when subsidized, offers no final solution. It obtains only among the better-paid classes of wage-earners and is weak where the need for it is relatively greatest. At best the aid which it renders is insufficient in amount and duration, and, worst of all, it imposes the cost too largely upon the wage-earner. To meet these essential requirements, the most enlightened countries of the world have adopted or projected systems of compulsory insurance against sickness. Utilizing existing voluntary agencies, such systems undertake, by joint contribution of employers, workmen, and the public treasury, to provide beneficiary payments for every wage-earner, in the event of sickness, for the entire period of disability and to an amount sufficient to maintain the accustomed standard of life.

The economic problem of old age grows out

of the certainty that a large proportion of the body of wage-earners find it sooner or later impossible to secure employment because of failing efficiency. The pressure and tension of modern industrial processes bring on this "economic old age" even before physical infirmity has set in. From sixty years on it becomes increasingly difficult for the workman to retain his job. Displaced eventually, he finds partial or casual employment only to lose this in turn with declining competence. Thereafter accumulated savings or maintenance by children can alone ward off dependence. How unavailing are these last resources is apparent from the fact that out of the 3,949,524 persons in the United States in 1910 over the age of sixty-five, it has been estimated that approximately 1,250,000 or almost one third, are supported by public or private charity.⁹⁴ But the more serious aspect of the problem lies with the remaining two thirds. Therein are large bodies of men and women who have lived decent, useful lives and who now drag out their last years in want and penury — less acute only than the bitterness of outright dependence. Some idea of how large is this class may be formed from the fact that in Great Britain some seventy-five per cent of the population over seventy years of age have qualified as in need of old-age relief; in France, nearly

fifty-seven per cent; and in prosperous Australia, of those above sixty-five years of age, over forty per cent. Making the most liberal allowance for deception and fraud, the resulting exhibit is nevertheless an overwhelming evidence of old-age need.

Voluntary old-age insurance, even when heavily subsidized by the state, fails to meet this requirement. Only a small proportion of the working-class population, and presumably the better-paid part, is attracted thereto, the percentage of lapses is very large, and the protection actually acquired is "pitifully small." With the failure of voluntary insurance, two practicable methods of dealing with old-age need have been evolved — compulsory insurance and old-age pensions. The first system has been fully developed in Germany, the second is best represented in Great Britain. Compulsory old-age insurance in its typical form provides for the payment to every wage-earner, whose income is less than a designated minimum, of a definite amount beginning at a certain age and continuing until death. The cost of the insurance is met by contributions of workers and employers in equal amount, supplemented by subsidies from the state treasury. Old-age pensions, on the other hand, represent direct governmental provision of stipulated amounts to all adults above a certain age

not specifically disqualified, without contribution by employer or employed, the entire cost being met by the public treasury.

In the United States systematic provision for old age has hardly passed beyond the stage of intelligent discussion. The limited jurisdiction of industrially competing commonwealths adds to the difficulty of such provision by the States, whereas questions of constitutional power and political expediency complicate the question, viewed as a possible function of the Federal Government. As in the case of sickness insurance, the existing need is inadequately met by the superannuation benefits and old-age insurance of trade-unions, fraternal orders, industrial insurance companies, the pension and retirement funds of industrial establishments, and the pension provisions of state and municipal governments in favor of public employees.⁹⁵

A notable qualification of the foregoing is the significance of the national military pension system as a form of old-age provision.⁹⁶ It is a remarkable fact that over one half of the native white male population of the United States, over sixty-five years of age, were in 1910 receiving some form of federal pension. If the Southern States, where relatively few pensions are paid, be excluded, this proportion rises to nearly two thirds of the native white males.

There is only a rough adjustment between old-age dependence and pension eligibility. A very considerable part of those in receipt of pensions lie without the ranks of the aged poor, and, on the other hand, certain large categories from whom this class is largely recruited, are entirely excluded from the benefits of the pension system. The real significance lies in the fact that the United States has for nearly two generations been making generous expenditures — in 1912 the cost of the pension system was \$153,000,000, about three times as great as that of the British old-age pension system — which, even though originally inspired by other considerations, have as their actual consequence the relief of a material part of existing old-age dependence. Both in fiscal provision and in public preparedness, the way has been paved for a transition to a more comprehensive, a more equitable, and probably a more economical, system of old-age provision.

CHAPTER VIII

CONCLUSION

THE argument of the foregoing pages may now be briefly summarized: Poverty, as economic insufficiency, is to be distinguished from economic inequality and from economic dependence. Like other disorders that reduce social well-being, the failure of large classes in every modern community to secure enough to make possible decent existence is a positive condition consequent upon determinable causes. A notable service of economic investigation has been to ascertain the more important of these causes, and to set forth preventive and remedial devices.

Modern economic organization provides a national dividend potentially large enough to obviate individual want. There is nothing inherent in competitive industry whereby this dividend need be so apportioned as to create great areas of poverty. The misdirections, not the normal working, of twentieth-century industrialism leave large elements of the community in receipt of incomes less than enough to maintain, in the long run, decent, self-supporting existence for themselves and those necessarily

dependent upon them. These insufficiently provided classes — the great supply-sources of poverty — are the underpaid, the unemployed, the unemployable.

Chronic underpayment arises from failure to substitute collective for individual bargaining in wage contracting, or from the excessive gains of enterprisers, or from the social undervaluation of product. Efficiently organized and intelligently directed trade-unionism will secure for the worker at least that part of the product of industry which free competition tends to award him. In so far as groups of wage-earners are unorganizable, or to the extent that industries or subdivisions of industries are parasitic, the state must intervene to define minimum wage conditions. Unemployment, understood as the involuntary idleness of competent workmen, is the result of cyclical depression, of seasonal fluctuation, and of the disposition of modern enterprisers to supply themselves with a reserve fund of irregularly employed labor available in seasons of exceptional activity. Here, labor exchanges, compulsory technical training, residential decentralization, and unemployment insurance will aid the workmen in escaping the physical and moral retrogression that comes swiftly with recurring unemployment. Finally, for the great residuum of unemployables, become

so through industrial accident, sickness, or old age, a comprehensive system of social insurance must form the main line of attack.

There are three possible grounds of dissent from the foregoing programme of economic betterment. It may be contended (1) that the measures proposed will severally fail even as to the specific ends in view, to say nothing of the larger aim; or (2) that, while effective in immediate purpose, such measures are mischievous in their final consequence; or (3) that poverty results in the main from other causes than those examined, so that in any event social misery would remain.

As to the adequacy of the respective remedies proposed in correction of underpayment, unemployment, and disability, the case rests to considerable extent upon positive evidence. The history of labor organization in modern industrial states makes clear that, whatever be its ultimate social or moral consequences, the direct economic effect of efficient trade-unionism is to prevent underpayment. The facts relating to minimum wage legislation are too recent to justify as definite a conclusion, but such evidence as is available indicates that legal enactment can secure a decent wage for the unorganizable and the exploited. The organization of the labor market by labor exchanges, measures of decasualization and unemployment insurance, as a corrective of un-

employment, have been undertaken in Great Britain after a thoroughgoing investigation of the whole problem of involuntary idleness. Finally, more or less comprehensive systems of social insurance against disability, sickness, and old age are in operation in practically every industrial community of the world except the United States.

There may be dissent, in the second place, as to the social desirability of the measures proposed, having in mind ultimate effect rather than immediate consequence. It is difficult to meet this comfortable inversion of the burden of proof. Economic analysis can determine the causes of economic disorder and formulate specific remedial devices. It cannot demonstrate their aggregate efficacy. That convincing verification by qualified or composite experiment, whereby the pathologist establishes the validity of his result up to the point of absolute conclusiveness, is denied the political economist. In default of experimental proof the credential of any social proposal is its reasonableness.

It is, however, difficult to find any trace of social menace in what has been suggested. Such conceivable possibilities as the invasion of personal freedom through trade-unionism, the undue extension of state activities in the correction of unemployment, the sapping of individual thrift by social insurance, or the replacement of natural

by artificial selection in social evolution are not likely to disturb the thoughtful. With the passing of the old *laissez-faire* philosophy in politics and in economics has gone the tyranny of "natural liberty." Two generations of industrial regulation have developed a new sympathy for constructive opportunism in social reform. Society has lost its terror of the old bogies. Given an urgent social evil and a reasonably direct remedy, there is little chance of inaction from fear of a remote, vaguely defined, and hypothetically established social injury. The public mind has come, more or less explicitly, to believe that so large are the powers of social adaptation, so recuperative is the course of economic readjustment that the correction of specific ills is likely to result in ultimate general gain.

There need likewise be no serious concern as to a possible conflict between such social provision, on the one hand, and the implications of the modern common law or the prevailing concepts of individual justice, on the other hand. Law and justice are designed to realize maximum well-being. If existing devices fail in securing this end in certain directions, society adopts supplementary and amendatory measures. Such changes are not to be made lightly; the more radical their character, the more pronounced the burden of proof and the more exacting the test

of acceptability. But incongruities between tested proposals and prevailing legal concepts of themselves constitute no *impasse*. Here, as so often before in the course of social progress, if conflicts arise there will be "a change in the existing common law either by legislation or by judicial decisions," and a less tangible revision of the current conceptions of individual justice in the particular relationship affected.⁹⁷

The direct economic cost of such intervention, in the form of heavier taxation and, more problematically, of increased commodity prices and reduced profits, may not be ignored. An obvious credit against this charge is the present social burden — in part recorded, in much greater degree unrecorded — of existing poverty. The net addition represents that moderate readjustment of individual wealth, in the form of property rights and surplus incomes, which collective well-being demands. In the light of economic history, there is no reason for apprehending that such heavier imposition will arrest the increase of capital. Indeed, in averting reactionary radicalism, in enhancing social weal, in enlarging general consuming power, such public expenditure is likely to prove productive both as to the state and the individual.

There may be dissent on the score that the foregoing analysis does not take account of all

the causes of poverty. At best this is a charge of exaggeration rather than of error. It has not been maintained that the correction of underpayment, unemployment, and disability will effect such complete and immediate elimination of misery that the persistence or reappearance of even a modicum thereof is to be accounted proof of failure. This is the apparent magic of chemical reaction, not the working of social change. Even the most confident triumphs of that most confident of the sciences having to do with human life — the theory and practice of medicine — defers to this necessity. Since Jenner's time, the effect of vaccination as a complete protection against smallpox has been declared and recognized with virtual finality. But despite this, no country — not even of highly civilized rank — has been or is anything like free from the scourge. In the United States alone, during 1911, 21,767 cases were reported to the United States Public Health Service, the area covered being only a portion of the United States and the computation being in other respects an underestimate.⁹⁸ So, too, even though the causes of poverty may have been unerringly determined and the means of prevention explicitly set forth, there will be no instant cessation. Arrest of increase, prevention of spread, treatment at the source, — all this rather than outright suppression are what will come to pass.

Even more, economic relations are too intricate, economic analyses are too qualified, ever to justify doctrinaire certainty in any large social interpretation. It may very well be that with more perfect acquaintance with the social organism and its diseases will come disclosure of other forces than those now isolated directly responsible for economic want. The economist will study these as they present themselves and search for preventive devices. But such possibilities should not check present activity. At this juncture, an analysis of poverty discloses certain definite causes. If we devote ourselves to the prevention of these, and continue to investigate and to study, the future can with reasonable assurance be left to work out its own problems.

The programme of economic betterment here outlined is neither easy nor quick of attainment. But tested by accepted economic philosophy, it is practicable — and worth while. From the days of Plato, social optimists have described ideal commonwealths wherein there was no want. Such Utopias were fashioned as fantasies or as satires. Now, in our own day, the conquest of poverty looms up as an economic possibility, definitely within reach — if only society desire it sufficiently and will pay enough to achieve it.

NOTES

1. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London, 1776), Introduction.
2. Alfred Marshall, *Principles of Economics*, sixth edition (London, 1910), pp. 2-3.
3. Robert Hunter, *Poverty* (New York, 1904), pp. 7, 60-61, 337.
4. A. L. Bowley, "Working-Class Households in Reading," in *Journal of the Royal Statistical Society*, June, 1913.
5. F. H. Streightoff, "The Distribution of Incomes in the United States," in *Columbia University Studies in History, Economics, and Public Law*, vol. LII, no. 2, p. 139. Professor Scott Nearing's estimates are materially lower; see *Wages in the United States, 1908-1910* (New York, 1911), pp. 213-15.
6. *Report of the Special Committee on Standard of Living* in Eighth New York State Conference of Charities and Correction, Albany, November 12-14, 1907; in R. C. Chapin, *The Standard of Living among Workingmen's Families in New York City* (New York, 1909), pp. 263-82. Professor Chapin's review of the same data leads to the less favorable conclusion that an income of \$900 is needed to maintain a normal physical standard, *ibid.*, p. 246.
7. *Report of Special Committee of Investigation, appointed by the Commission on the Church and Social Service of the Federal Council of the Churches of Christ in America, concerning the Industrial Situation at South Bethlehem, Pa.* (New York, 1910), p. 18.

8. Chapin, *op. cit.*, p. 241.
9. *Bulletin of the United States Bureau of Labor Statistics*, whole number 140 (Washington, 1914), p. 11.
10. *Bulletin of the United States Bureau of Labor Statistics*, whole number 143 (Washington, 1914), pp. 7-8.
11. Chapin, *op. cit.*, pp. 2-4.
12. *Ibid.*, p. 60.
13. C. S. Loch, "Charity," in *Encyclopædia Britannica*, eleventh edition (Cambridge, 1910); E. T. Devine, *Misery and its Causes* (New York, 1912), pp. 7-9.
14. W. E. H. Lecky, *History of European Morals from Augustus to Charlemagne*, third edition (New York, 1890), vol. 1, p. 93.
15. V. G. Simkhovitch, *Marxism versus Socialism* (New York, 1913), p. 98.
16. *Progress and Poverty* (New York, 1880), pp. 7, 9.
17. *Social Statics* (1851); quoted and reaffirmed in *The Man versus the State* (New York, 1888), pp. 67-68.
18. A. E. Hake and O. E. Wesslau, *The Coming Individualism* (London, 1895), p. 11.
19. Simkhovitch, *op. cit.*, p. 124.
20. T. H. Huxley, "Administrative Nihilism" (1871), in *Method and Results* (New York, 1898), p. 28.
21. "Government: Anarchy or Regimentation" (1890) in *ibid.*, p. 391.
22. *Principles of Economics*, p. 3; Devine, *op. cit.*, p. 265.
23. James Bonar, *Parson Malthus* (Edinburgh, 1881), p. 5; see also the valuable study, by the same author, of *Malthus and his Work* (London, 1885).
24. *An Essay on the Principle of Population, as it affects the Future Improvement of Society* (London, 1798), pp. 14-17.

25. Herbert Spencer, *The Principles of Biology*, part VI, chap. XIII, sec. 375; in Appleton reprint (New York, 1898), vol. II, p. 506.
26. Sight must not be lost of the tremendous possibilities of increasing food-supply by reducing losses from disease. To take a single example: the losses of swine in the United States in 1913, in the main from hog cholera, were 119 per 1000 head. This meant a loss of nearly 800,000,000 pounds of dressed meat and lard, sufficient to furnish every family of the United States, averaging four and a half persons, about forty pounds. The Bureau of Statistics of the United States Department of Agriculture declares that "If there had been no such loss, probably increasing scarcity of meat would have been largely prevented." (*Farmers' Bulletin*, no. 590, April 23, 1914, p. 2).
27. *Crop Reporter*, published by authority of the Secretary of Agriculture, vol. XIV, pp. 30-31 (April, 1912).
28. *Poverty: A Study of Town Life* (16mo, reprint), p. 361.
29. *Political Economy*, third edition (London and Glasgow, 1854), p. 86.
30. *Principles of Political Economy, with some of their Applications to Social Philosophy*, book IV, chap. II, sec. 2; in People's edition (London, 1865), p. 426.
31. *An Inquiry into the Nature and Causes of the Wealth of Nations*, book I, chap. VIII; ed. Cannan (London and New York, 1904), pp. 65, 75.
32. *Essays in Finance*, second series (London, 1886), p. 333.
33. W. H. Beveridge, *Unemployment: A Problem of Industry*, third edition (London, 1912), p. 7.
34. *Thoughts on Political Economy* (Baltimore, 1820), p. 273.

35. *Essay on the Rate of Wages* (Philadelphia, 1835), pp. 244-45.
36. Raymond, *op. cit.*, pp. 266-67.
37. Twelfth Census of the United States, 1900, vol. VI, "Agriculture," part III (Washington, 1902), pp. 64-65.
38. Computed from *Statistical Abstract of the United States, 1912* (Washington, 1913), pp. 745-776.
39. *Ibid.*, pp. 762-63, 773-74.
40. Thirteenth Census of the United States, 1910, vol. V, "Agriculture, 1909-10" (Washington, 1913), pp. 536, 565.
41. *Statistical Abstract of the United States, 1912* (Washington, 1913), p. 738; Bulletin no. 122 of the Bureau of the Census, *Estimates of Population, 1910-14* (Washington, 1914); I. M. Rubinow, *Social Insurance, with Special Reference to American Conditions* (Washington, 1913), p. 490.
42. Simkhovitch, *op. cit.*, p. 145.
43. Hake and Wesslau, *op. cit.*, p. 30.
44. *Evidence before Lords' Committee on Apprentices and Others Employed in Mills and Factories*; with Appendix. Three parts (London, 1818), pp. 182-83, 189.
45. *Letters on the Factory Act, as it affects the Cotton Manufacture* (London, 1837), pp. 14-16.
46. *Money answers all Things* (London, 1734); ed. Hollander (Baltimore, 1914), p. 159.
47. *Principles of Political Economy*, book II, chap. I, sec. 1; People's edition, p. 123.
48. *The Quintessence of Socialism*, chap. III; trans. Bosanquet (New York, n.d.), pp. 28-29.
49. *Principles of Political Economy*, Book II, chap. I, sec. 3; People's edition, p. 128.
50. Rev. Hastings Rashdell, "The Philosophical Theory

- of Property," in *Property, its Duties and Rights* (London, 1913), p. 64.
51. Gerard De Malynes, *A Treatise of the Canker of England's Commonwealth* (London, 1601).
 52. E. T. Devine, *Efficiency and Relief: A Programme of Social Work* (New York, 1906), p. 13.
 53. David Ricardo, *On the Principles of Political Economy and Taxation*, second edition (London, 1819), p. 95.
 54. *Report of the Board of Arbitration in the Matter of the Controversy between the Eastern Railroads and the Brotherhood of Locomotive Engineers*, November 2, 1913 (n.p., n.d.), p. 47.
 55. *Report of the Commission of the Minimum Wage Boards*, January, 1912 (Boston, 1912), p. 18.
 56. *An Inquiry into the Nature and Causes of the Wealth of Nations*, book I, chap. VIII; ed. Cannan, vol. I, p. 68.
 57. Sidney and Beatrice Webb, *Industrial Democracy* (London, 1897), part III, chap. I.
 58. G. E. Barnett, "The Introduction of the Linotype," in *The Yale Review*, vol. XIII, November, 1904.
 59. G. E. Barnett, "The Dominance of the National Union in American Trade-Union Organization," in *Quarterly Journal of Economics*, May, 1913, p. 465.
 60. Twelfth Census of the United States, 1900, "Special Report on Occupations" (Washington, 1904), pp. l-1ii; I. A. Hourwich, "The Social-Economic Classes of the Population of the United States" in *Journal of Political Economy*, March, 1911; Rubinow, *Social Insurance*, p. 29.
 61. L. H. Haney, "Organized Labor and the Recent Advance in Prices," in *Quarterly Publications of the American Statistical Association*, June, 1910, p. 154.

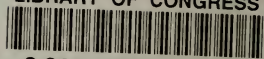
62. J. Laurence Laughlin, "The Monopoly of Labor," in *Atlantic Monthly*, October, 1913, p. 449. Cf. also Victor Morawetz, *Income of the Nation and Dividends of the Masses* (New York, n.d.), reprinted from *New York Sunday Sun*, December 21, 1913, pp. 8-12.
63. G. E. Barnett, "The Printers: A Study in American Trade-Unionism," in *American Economic Association Quarterly*, third series, vol. x, no. 3, pp. 185-89.
64. F. E. Wolfe, "Admission to American Trade-Unions," in *Johns Hopkins University Studies in Historical and Political Science*, series xxx, no. 3, pp. 25-28.
65. Haney, *op. cit.*, p. 164.
66. I have obtained valuable aid as to the problem of the organizability of labor from Mr. W. O. Weyforth, Jr., fellow in political economy in the Johns Hopkins University, who is engaged upon a detailed study of this important phase of the labor question.
67. A. C. Pigou, "The Principle of the Minimum Wage," in *The Nineteenth Century*, March, 1913.
68. D. A. McCabe, "The Standard Rate in American Trade-Unions," in *Johns Hopkins University Studies in Historical and Political Science*, series xxx, no. 2, pp. 105-06.
69. The Minimum Wage Commission Bill of the Consumers' League of Maryland, 1914, section 64.
70. "The Minimum Wage," in *Atlantic Monthly*, September, 1913.
71. *Memoranda of the Board of Trade in Reference to the Working of the Trade Boards Act* (1909), May 27, 1913 (London, 1913).
72. *Special Report from the Select Committee on the*

Trade Boards Act Provisional Orders Bill; together with the Proceedings of the Committee and the Minutes of Evidence (London, 1913).

73. R. H. Tawney, "Inaugural Lecture as Director of the Ratan Tata Foundation, University of London," October 22, 1913, in *Memoranda on Problems of Poverty*, no. 11 (London, n.d.), p. 16.
74. Stettler *vs.* Industrial Welfare Commission of the State of Oregon, in the Supreme Court of the State of Oregon, October Term, 1913: Appendix to the briefs filed in behalf of respondents, prepared by Louis D. Brandeis, assisted by Josephine Goldmark.
75. *Ibid.*, p. 40. See also Report of the Welfare Department of the National Civic Federation, on "Working Conditions in New York Stores," in *National Civic Federation Review*, July 15, 1913. . .
76. Dissenting opinion of Mr. Justice Holmes in *Lochner vs.* New York, 198 U.S. 45, at 76.
77. A. M. Holcombe, "The Legal Minimum Wage in the United States," in the *American Economic Review*, March, 1912, p. 29.
78. H. R. Seager, *Social Insurance: A Programme of Social Reform* (New York, 1910), p. 84; also *American Labor Legislation Review*, May, 1914, with useful "Select Bibliography on Unemployment," pp. 403-20.
79. Beveridge, *op. cit.*, p. 27.
80. *Report of Massachusetts Bureau of Statistics of Labor* (1913), part III, pp. 31-32; Thirteenth Census of the United States, 1910, vol. VIII, "Manufactures, 1909" (Washington, 1913), p. 57.
81. *Bulletin of the Department of Labor of State of New York*, no. 54 (March, 1913), pp. 6-7; Census volume as in preceding note.

82. B. S. Rowntree and B. Lasker, *Unemployment: A Social Study* (London, 1911), pp. 301-04.
83. *Ibid.*, p. 310.
84. Beveridge, *op. cit.*, p. 9.
85. *Ibid.*, pp. 68-69.
86. *Ibid.*, p. 100.
87. *Ibid.*, pp. 197-98.
88. Rowntree and Lasker, *op. cit.*, pp. 105-10.
89. *First Report of the Proceedings of the Board of Trade under Part II of the National Insurance Act, 1911*, with appendices: presented to both Houses of Parliament (London, 1913).
90. Beveridge, *op. cit.*, p. 268.
91. Rubinow, *op. cit.*, p. 68.
92. *Bulletin of the United States Department of Labor Statistics*, whole number 126, "Workmen's Compensation Laws of the United States and Foreign Countries" (Washington, 1914).
93. Rubinow, *op. cit.*, pp. 155-202.
94. *Ibid.*, p. 310; quoting L. W. Squier, *Old-Age Dependency in the United States* (New York, 1912).
95. L. W. Squier, *op. cit.*, part III.
96. Rubinow, *op. cit.*, pp. 404-09.
97. Jeremiah Smith, "Sequel to Workmen's Compensation Acts," in *Harvard Law Review*, January and February, 1914.
98. *Annual Report of the Surgeon-General of the Public Health Service of the United States, 1912* (Washington, 1913), p. 187.

LIBRARY OF CONGRESS



0 027 292 811 3